



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

Included in the Higher Education Funds
of the State of South Carolina



*Midlands
Technical
College*

MIDLANDS TECHNICAL COLLEGE

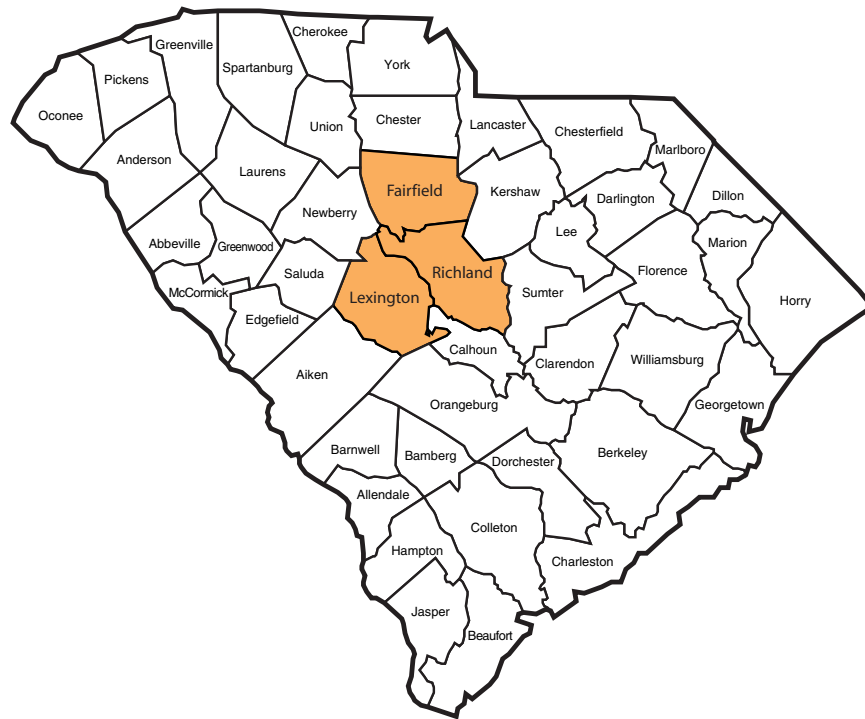
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

A college included in the higher education fund of the state of South Carolina

Statement of Mission

Midlands Technical College is a comprehensive, urban, public, two-year college serving the primary region of Richland, Lexington and Fairfield counties of South Carolina. College programs and services provide accessible, affordable, high-quality post-secondary education that prepares traditional and nontraditional students to enter the job market, allows them to transfer to senior colleges and universities, and assists them in achieving their professional and personal goals. Through its programs and services, the college equitably provides higher education opportunities and supports the economic growth of the community.



*Prepared by
the Finance and Accounting Office*

*Dr. Ronald L. Rhames
Vice President for Business Affairs*

*Helen F. Koon
Director of Finance and Accounting*

MIDLANDS TECHNICAL COLLEGE

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

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PRESIDENT'S LETTER

September 30, 2005

Members of the Midlands Technical College Commission and the Community:

I am pleased to present the *Comprehensive Annual Financial Report* (CAFR) for the fiscal year 2005. Each year the College publishes the CAFR to provide relevant information concerning its operations and financial position. This year's document reflects that, in spite of significant financial challenges faced by the state, the College continues to provide accessible, affordable, high-quality post-secondary education to the citizens of the Midlands.

The past fiscal year was significant for the College in terms of the support it received from the South Carolina Legislature and the Richland, Lexington and Fairfield County Councils. A significant milestone in the College's history is Richland and Lexington counties' approval of an additional \$10 million to begin critical projects designed to strengthen the economy and quality of life in its service area. The counties provided an additional half (.5) mil each to support these projects. The College's budget requests to all three counties were funded at 100 percent. The College also received additional state funding to expand its Associate Degree Nursing Program.



Fiscal year 2005 was also a year of significant public recognition and support for the College. During this year, Midlands Technical College was recognized as one of the nation's top 50 fastest-growing public, two-year colleges. In a recent study published in *Community College Week*, MTC ranked 35 nationally among peer colleges with enrollments larger than 10,000 students. MTC English instructor Dr. Dianne Luce was selected as the South Carolina Governor's Professor of the Year for Two-Year Colleges. This is the third time in the past four years that a Midlands Technical College instructor has been selected to receive this honor. Once again, the College achieved a *Substantially Exceeds* rating on the South Carolina Commission on Higher Education Performance Funding criteria. Additionally, the Midlands Technical College Foundation's capital campaign, *Investing in the Future*, reached 93 percent of its \$5 million goal with two years remaining in the five-year campaign. These are only a few of the College's many outstanding achievements made in 2005.

Midlands Technical College again received national recognition for financial reporting over the last fiscal year, making this the ninth consecutive year the College has received this award. Through prudent management and sound fiscal controls, the College sustained its strong financial position amid numerous economic challenges. Because of the unyielding dedication and commitment of the College's students, faculty and staff, when we say *You Can Get Anywhere from Here*, it is with good reason.

Respectfully,

A handwritten signature in black ink that reads "Barry W. Russell". The signature is fluid and cursive, with the first name "Barry" being more prominent.

Barry W. Russell
President



September 30, 2005

To: the Midlands Technical College Commission, the President, the Executive Council and the community served by Midlands Technical College:

We are pleased to present the *Comprehensive Annual Financial Report* (CAFR) of Midlands Technical College for the fiscal year ended June 30, 2005.

State law, federal guidelines and certain debt covenants require an annual audit of the College's financial records. The College is in the second year of a five-year contract with the independent certified public accounting firm of Scott McElveen, L.L.P. to perform the annual audit of its financial statements and federal assistance programs. The Independent Auditors' Report is included in the financial section of this CAFR and reflects an unqualified opinion on the basic financial statements. As a recipient of federal financial awards, the College complies with the requirements of the Single Audit Act, and separate single-audit reports have been issued, which are included in the Federal Awards section.

The management of the College is responsible for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the information presented is accurate in all material respects and is comparable to peer institutions. All disclosures have been included that will provide the reader with a reasonable understanding of the College's financial activities in relation to its mission.

The management of the College is responsible for establishing and maintaining the framework of internal control. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of policies and procedures related to the internal control framework. The system of internal control is designed to ensure that certain organizational objectives are met. Accordingly, organizational structure, policies and procedures have been established to safeguard assets; ensure the reliability of accounting data; promote efficient operations; and ensure compliance with established governmental laws, regulations and policies, college policies, and other requirements of entities to whom the College is accountable. The internal accounting control structure is designed to provide reasonable, not absolute, assurance that these objectives are met.

The Management's Discussion and Analysis included in the Financial Section provides a detailed explanation of the changes in financial reporting from the prior year and the resulting effects of those changes, and should be read in conjunction with this letter of transmittal.

This *Comprehensive Annual Financial Report* is organized into four sections:

The **Introductory Section** includes this transmittal letter; the Certificate of Achievement for Excellence in Financial Reporting awarded to MTC for the fiscal year ended June 30, 2004, the members of the College's governing board and principal officials, an organizational chart representing the structure of the College, and the college-wide goals and priority initiatives.



The **Financial Section** includes the report of our auditors, Scott McElveen, L.L.P., which expresses an unqualified opinion on the basic financial statements. Management's Discussion and Analysis, the basic financial statements and accompanying notes are also included in this section. The basic financial statements are prepared in accordance with generally accepted accounting principles for public colleges and universities, as defined by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the Industry Audit Guide, *Audits of State and Local Government*, OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and the National Association of College and University Business Officers in College and University Business Administration.

The **Federal Awards Section** contains the Schedule of Expenditures of Federal Awards and accompanying notes, reports of compliance on internal controls in accordance with Government Auditing Standards and with OMB Circular A-133 and the Schedule of Findings and Questioned Costs. This section also includes the Independent Accountant's Report on State Lottery Tuition Assistance, which is required by the laws of the State of South Carolina..

The **Statistical Section** contains selected financial, statistical and demographic information. This information is intended to present the reader with a broad overview of trends in the financial affairs of the College.

PROFILE OF THE COLLEGE

Midlands Technical College is one of 16 colleges included in the South Carolina Technical College System. The State Board for Technical and Comprehensive Education, an agency of the State of South Carolina, governs the system. Midlands Technical College is a comprehensive, public two-year institution that serves Richland, Lexington and Fairfield Counties in the Central Midlands region of South Carolina. The College has four campuses, two in Lexington County and two in Richland County, and a teaching location at Fort Jackson that serves enlisted personnel and civilians. The College also delivers instruction in various businesses, industries and public schools located in its service area and provides opportunities for students to take classes on the internet that lead to a degree.

The College's governing board, the Commission, is appointed by the Governor of South Carolina upon the recommendation of the legislative delegations from Richland and Lexington counties. There are 12 Commissioners who are appointed for four-year terms. Currently, there are five Commissioners from Lexington County and seven from Richland County. Officers are elected every two years, with the chairmanship alternated between the two counties.

State law mandates Richland and Lexington counties to provide sufficient funding to build, maintain and operate the College's physical plant. The division of financial responsibility is based on population and is used each year for budget request purposes. The current distribution is 60 percent for Richland County and 40 percent for Lexington County.

Fairfield County also provides financial support by funding the difference between the in-county tuition rate and the in-state tuition rate for their residents who attend the College. Fairfield County provided 1.8 percent of the county support for the current fiscal year.



Midlands Technical College is part of South Carolina's primary government and is included in the Comprehensive Annual Financial Report of the state.

The Midlands Technical College Foundation, Inc. (the Foundation) is a nonprofit organization that was formed August 12, 1970 to benefit and support education at Midlands Technical College. It is a legally separate tax exempt component unit of the College. The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the College in support of its programs. A separate board of directors governs the Foundation. The 39 member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. The activity of the Foundation is included separately in the College's financial statements.

The College's strategic planning process includes extensive planning in preparation of the budget. The original operating budget is based on preliminary estimates and is approved by the Commission in May of each year. During its October meeting, the Commission approves the revised budget, which is prepared after major sources of revenue are known. An annual facility plan, which outlines the needs for operations and maintenance of plant facilities, is used for the budget request to the counties. A longer term facility plan is prepared, reviewed and updated annually as the College's initiatives are revised.

The College maintains controls in line-item budgets, budget transfer restrictions and in the use of an encumbrance accounting system. These budgetary controls ensure compliance with the annual budget adopted by the governing board. As demonstrated by the financial statements and

schedules included in the financial section of this report, College management continues to meet its responsibility for sound fiscal administration.

ECONOMIC CONDITIONS

Fiscal year 2004-2005 resulted in a leveling of economic conditions faced by the College. The College experienced a reduction of less than 1 percent in state revenue. The state's economy improved but there remains a continuing need to address long-term issues including health care, property taxes, replenishment of reserve funds, unfunded pension accounts and the loss of jobs.

The state's economic condition for 2005-2006 is expected to remain relatively stable. State revenues are expected to increase slightly. The improvement in the economy gave state policy makers the flexibility to fund some initiatives and to maintain



the commitment to higher education at the relative same level as the prior year. The state provided support for a general increase for employees. The College's share of state funding will see an overall reduction of about 2 percent due to faster enrollment growth at other technical colleges in the system and a slight reduction of less than .5 percent by the state to higher education.

Because of the improvement in the state's economy, student tuition and fees increased less than the Higher Education Price Index (HEPI) for 2005 – 2006. The HEPI grew by 4.6 percent while the College limited its tuition increase to 3.4 percent. Students continue to receive significant support from federal and state aid sources. The College is expected to award in excess of \$40 million in student aid, which is a record amount.

Richland, Lexington and Fairfield Counties support operation and maintenance of the College's physical plant. Based on the most recent available data from the South Carolina Budget and Control Board population in the three counties comprises approximately 14 percent of the total population in South Carolina. Per capita personal income for Richland and Lexington Counties is above the state average, while Fairfield County is below, according to the most recent available data

from the United States Department of Commerce, Bureau of Economic Analysis.

Economies of the counties strengthened over the prior year, which is evidenced by the College receiving 100 percent of its operating and capital budget request. In addition to the operational request Richland and Lexington Counties approved a new half mil to support additional capital initiatives at the College.

The additional support from Richland and Lexington Counties will position the College to begin implementation of plans for four major initiatives that will strengthen the economy and quality of life in the counties. One of the initiatives involves the investment of over \$32 million to support a capital expansion of college facilities. The funding source involves a partnership between the state, the counties and the College. The counties have committed \$10 million dollars to the project. The College expects the state to contribute up to \$15 million dollars with the difference between the support provided by the counties and the state to be funded by the College using capital reserves and/or issuing bonds.

This initiative involves adding two new facilities on the College's Northeast Campus. The most significant facility is the construction of a new 68,000 square foot Engineering Technology building to replace the facility on the Beltline campus. Once this project is completed, the Beltline facility will be renovated or replaced. The project budget is \$19 million.

The second initiative relates to the Northeast Campus and the construction of a 25,000 square foot Business Accelerator building. This facility is designed to serve emerging businesses and technologies as they ramp up their initial production. The project budget is \$5 million.

The third initiative requires adding a 28,000 square foot building to be used as a general purpose classroom and auditorium facility on the Harbison Campus. This facility will be the first addition to the campus since the College acquired it in 1972. The facility will allow the College to fully meet its strategic objectives to add credit courses on that campus. The project budget is \$7 million.

The final initiative involves opening a new site in the community of Batesburg-Leesville in Lexington County. The new facility will be a 7,500 square foot general education building designed to provide selected technical educational programs and to support the economic development of the area. The project budget is \$1.35 million.

The College, in accordance with state policies, deposits substantially all of its cash in local bank accounts. Excess cash

not required for current operations is invested in United States government securities, repurchase agreements or certificates of deposit, the latter of which are collateralized with obligations of the United States government. The College maintains certain funds with the South Carolina State Treasurer as part of the debt management program. These funds are included in the



state's cash management pool. The College receives interest earnings on these investments.

The College participates in a statewide risk management program where the state assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental and group life insurance benefits (insurance carriers provide claims administration services). In addition, the state maintains an Insurance Reserve Fund to cover risks associated with: real property including public buildings; local public schools and their contents; motor vehicles, school buses and aircraft; general tort claims that parties may file against the state or its political subdivisions; medical malpractice claims that parties may file against covered hospitals; and business interruptions. The Insurance Reserve Fund purchases insurance coverage for a portion of these risks.

The College maintains commercial insurance for student accident coverage. It is the belief of management that all coverage is sufficient to preclude significant uninsured losses.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Midlands Technical College for its *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national

award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the ninth consecutive year the College has received this award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized *Comprehensive Annual Financial Report* whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGEMENTS

The timely preparation of the *Comprehensive Annual Financial Report* is a coordinated college-wide effort. We would like to express sincere appreciation to all employees in the Business Affairs unit who contributed to the timely closing of the College's financial records and the preparation of this report, to the Advancement unit for their contributions in design, editing, printing and publication of the document; and to the Assessment, Research and Planning Department for providing statistical data. Our sincere appreciation is also expressed to other individuals who provided information as requested and to our Commission for their support of this initiative.

Sincerely,

Handwritten signature of Dr. Barry W. Russell.

Dr. Barry W. Russell
President

Handwritten signature of Dr. Ronald L. Rhames.

Dr. Ronald L. Rhames
Vice President for Business Affairs

Handwritten signature of Helen F. Koon.

Helen F. Koon
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Midlands Technical College,
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

Midlands Technical College

Organizational Data

COMMISSION MEMBERS AND OFFICERS

Commissioner

Peter E. Sercer, Chairman
 Robert F. Dozier, Jr., Vice Chairman
 Ronald H. Burkett, Treasurer
 James Smith, Secretary
 E. Stewart Blume, Jr.
 Katie M. Bolden
 Harriet G. Fields
 Christopher M. Joye
 Robert C. Lentz
 Judith Litman Lindau
 A. Eugene Rountree
 Robert P. Wilkins, Jr.

County

Lexington
 Richland
 Lexington
 Richland
 Richland
 Richland
 Lexington
 Richland
 Richland
 Lexington
 Lexington

Term Expires

November 16, 2007
 July 31, 2009
 November 16, 2006
 July 31, 2009
 July 31, 2008
 July 31, 2008
 July 31, 2008
 July 31, 2007
 July 31, 2007
 July 31, 2007
 May 11, 2007
 November 16, 2008

COMMISSIONERS



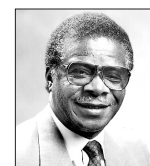
Peter E. Sercer
Chairman



Robert F. Dozier, Jr.
Vice Chairman



Ronald H. Burkett
Treasurer



James Smith
Secretary



E. Stewart Blume, Jr.



Katie M. Bolden



Harriet G. Fields



Christopher M. Joye



Robert C. Lentz



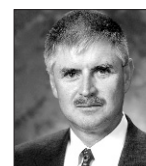
Judith Litman Lindau



A. Eugene Rountree



Robert P. Wilkins, Jr.



Barry W. Russell
Ex-officio
President
Midlands Technical College

EXECUTIVE COUNCIL

Barry W. Russell
 Starnell K. Bates
 Ronald L. Drayton
 Vann H. Gunter

 Gina Mounfield
 Sandra L. Oliver
 Ronald L. Rhames
 Mark D'Amico
 Nancy Pedersen

President
 Vice President for Advancement
 Vice President for Arts and Sciences
 Vice President for Economic Development and
 Continuing Education
 Vice President for Career Programs
 Vice President for Student Development Services
 Vice President for Business Affairs
 Special Assistant to the President
 Executive Assistant to the President

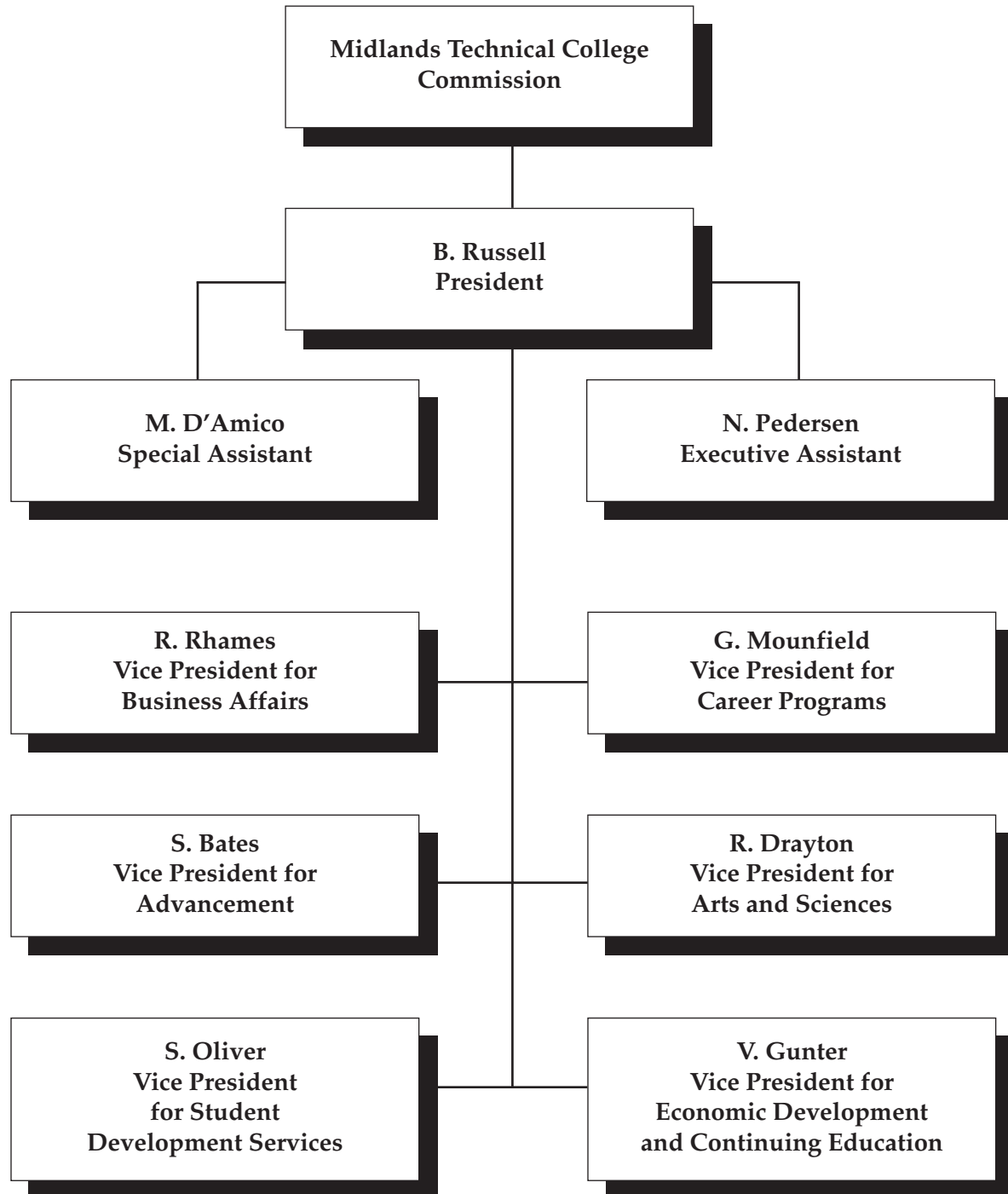
BUSINESS AFFAIRS DIVISION

Ronald L. Rhames
 Stanley Bolton
 Jeanette S. Hayes
 Craig Hess
 Anthony Hough
 Helen F. Koon
 Marcia Medway
 Sandra Sumpter

Vice President for Business Affairs
 Director of Auxiliary Services
 Director of Budgets
 Director of Plant Operations
 Director of Information Resource Management
 Director of Finance and Accounting
 Director of Support Services
 Director of Human Resource Management

Midlands Technical College

Organizational Chart



Midlands Technical College

College-Wide Goals and Priority Initiatives

Goal 1: The college embraces an innovative learning environment that enhances teaching, learning and individual development.

Priority Initiatives:

1. Define and continuously refine what learning community means to MTC.
2. Develop and strengthen all aspects of programs and services.
3. Provide access to and enhance the success of at-risk populations.
4. Identify and implement student-centered learning enhancements.
5. Promote faculty and staff participation in innovative developments in their fields of study.
6. Ensure the college has state of the art multi-media equipment and connectivity to support a learner-centered culture.
7. Implement the Facilities Master Plan.
8. Foster awareness of available opportunities to all college constituencies.
9. Forge international partnerships.

Goal 2: The college prepares a workforce that is much in demand by business and industry.

Priority Initiatives:

1. Enhance information literacy skills within the curricula.
2. Improve student success through innovative teaching methodologies and the integration of current technology into the curriculum.
3. Ensure connectivity between employer demand and student awareness of career pathways.
4. Prepare students for career adaptability.
5. Improve the rate at which under-prepared students move into curriculum programs.
6. Integrate career assessment and career planning to better prepare students for current and emerging career opportunities.

Goal 3: The college collaborates with educational and community partners to create seamless curricula and quality services for the diverse population bridging K-12, two-year college and university education.

Priority Initiatives:

1. Expand course offerings, student services and articulation with senior institutions.
2. Expand collaboration and interaction with area school districts.
3. Extend the college's expertise in instructional delivery and marketing to both secondary and post-secondary partners.
4. Enhance education through community interaction and adoption of nationally recognized curricula and standards.
5. Provide effective co-curricular programs, activities and services that create a learner centered environment.
6. Integrate diversity and multi-culturalism into programs and services.

Goal 4: The college partners with community constituencies to strengthen the educational, social and economic vitality of the community.

Priority Initiatives:

1. Actively interface with economic development entities and senior institutions and participate in activities to increase business and industry development.
2. Collaborate with communities in the service area to provide accessible educational opportunities.
3. Expand and strengthen the role of program advisory committees.
4. Seek opportunities for dialogue and interaction to ensure the college is proactive in its participation in advancing the community.
5. Integrate service learning into college courses and co-curricular activities that strengthen civic responsibility and economic vitality.

Goal 5: MTC serves as a primary catalyst in economic development through education, entrepreneurship and business acceleration.

Priority Initiatives:

1. Design and implement innovative, proactive programs to address the future needs of the business community and expand the workforce.
2. Promote innovative arenas including public/private partnerships and enterprise development.
3. Respond to the changing training and development needs of new and expanding business and industry.
4. Define the scope of new initiatives and influence their perception in the community.
5. Develop a strategic master plan for the Enterprise Campus.
6. Establish programs to promote entrepreneurship.
7. Incorporate the identification of employer training and re-training needs into recruitment and outreach activities.

Goal 6: The college achieves national recognition through comprehensive, research based evaluation of programs and services.

Priority Initiatives:

1. Develop systemic processes that provide leaders with information and data to support strategic and operational decision-making.
2. Support the development and use of national and peer comparisons to measure the effectiveness and efficiency of academic and administrative performance.
3. Expand the capabilities of faculty and staff to design and conduct their own research.
4. Enhance the college's national recognition as a leader in institutional planning, effectiveness, assessment and innovative research concepts.
5. Develop and disseminate information needed to influence the direction of post-secondary education in South Carolina.
6. Develop and implement comprehensive risk management strategies.

Goal 7: The college engages in creative, entrepreneurial resource development and management.

Priority Initiatives:

1. Seek partnerships with local agencies and senior institutions to offer learning opportunities for students and professional development opportunities for faculty.
2. Continuous seek and obtain alternate funding.
3. Develop methods to conserve resources and increase revenue.
4. Position the college to maximize state and local support.

Goal 8: The college implements strategies to recruit, retain and develop exceptional faculty and staff.

Priority Initiatives:

1. Provide opportunities and funding to ensure the on-going professional development of faculty and staff.
2. Develop and implement innovative strategies for the recruitment and retention of faculty and staff.
3. Ensure accurate and meaningful communication college-wide.
4. Integrate diversity and multicultural into employment practices and professional development.

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Independent Auditors' Report

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

We have audited the accompanying basic financial statements of Midlands Technical College (the "College") and its discretely presented component unit, Midlands Technical College Foundation, Inc. (the "Foundation"), as of and for the year ended June 30, 2005. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midlands Technical College and of its discretely presented component unit, Midlands Technical College Foundation, Inc., as of June 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2005, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, listed in the accompanying table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Member: AICPA, SCACPA, SEC Practice Section
An Independent Member of the BDO Seidman Alliance

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Columbia, South Carolina 29202
TEL (803) 256-6021
FAX (803) 256-8346
www.scottmcelveen.com

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College. The introductory section and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the College. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Scott McElveen, L.L.P." The signature is written in a cursive, flowing style.

Columbia, South Carolina
August 29, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Midlands Technical College (the "College") Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2005. This discussion should be read in conjunction with the transmittal letter, the College's basic financial statements, the component unit's financial statements and the notes to the financial statements.

COMPONENT UNIT

The College has included the Midlands Technical College Foundation, Inc. (the "Foundation") in its financial statements in accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Some financial information for this component unit is included in this report. You can obtain complete financial statements for the Foundation by mailing a request to Midlands Technical College Foundation, Post Office Box 2408, Columbia, South Carolina 29202.

USING THIS ANNUAL REPORT

Midlands Technical College is pleased to present its financial statements for fiscal year ended June 30, 2005. Comparative financial statements are not presented in this report; however condensed data is presented in this section, which will aid the reader in assessing the changes in the College's financial position since last year. The emphasis of discussions regarding these statements will focus on the current year.

The College is engaged only in Business-Type Activities that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and, Statement of Cash Flows. These statements present financial information in a format similar to that used by the private sector.

STATEMENT OF NET ASSETS

The Statement of Net Assets provides a snapshot of the College's assets, liabilities and net assets at the end of the fiscal year. It provides the reader with information concerning the institution's ability to continue its operations and to determine its financial stability.

Assets and liabilities are separated into current, those that are due or to be paid within the current year and non-current, those that are longer term in nature. Net Assets represents the difference between total assets and total liabilities and provides information, in part, concerning any amount available to be spent by the institution.

Net Assets are divided into three major categories. The first category, invested in capital assets, net of related debt,

provides the equity in property, plant and equipment owned by the College. The next category, which is restricted net assets, is expendable in nature and has been approved by the College's governing board specifically for capital projects and debt service, as indicated. The final category of net assets is unrestricted, and not subject to external stipulations. This amount generally represents the College's 30-day operating reserve.

Assets

The following schedule is a condensed version of the College's assets, liabilities and net assets and is prepared from the Statement of Net Assets.

Condensed Summary of Net Assets As of June 30, (in millions)

	2005	2004	Increase (Decrease)	Percent Change
Current Assets	\$ 33.3	\$ 29.2	\$ 4.1	14.0%
Non-current Assets				
Capital Assets (Net of Depreciation)	51.8	49.9	1.9	3.8%
Other	<u>0.8</u>	<u>2.2</u>	<u>(1.4)</u>	<u>-193.3%</u>
Total Assets	<u>85.9</u>	<u>81.3</u>	<u>4.6</u>	<u>0.1%</u>
Current Liabilities	7.8	6.5	1.3	20.0%
Non-current Liabilities	<u>11.0</u>	<u>11.1</u>	<u>(0.1)</u>	<u>-0.9%</u>
Total Liabilities	<u>18.8</u>	<u>17.6</u>	<u>1.2</u>	<u>6.8%</u>
Net Assets				
Investment in Capital Assets	41.9	40.7	1.2	2.9%
Restricted for: Expendable	20.4	18.6	1.8	9.7%
Unrestricted	<u>4.7</u>	<u>4.4</u>	<u>0.3</u>	<u>6.8%</u>
Total Net Assets	\$ 67.0	\$ 63.7	\$ 3.3	5.2%

Current assets were approximately \$4.1 million of the increase in overall assets. This increase is explained as follows:

- The College drew approximately \$1.4 million of restricted cash from the Institutional Capital Projects fund located at the Office of the South Carolina State Treasurer for use in the Student Services and Precision Machining project. This transaction increased current assets of cash and short term investments and decreased the non-current assets of restricted cash.
- The College sold property located on Hardscrabble Road and recognized net cash proceeds from the sale of approximately \$.523 million.
- Approximately \$1.5 million of the increase in current assets over the prior year occurred in state and local appropriations for non-capital financing activities.

These increases will be discussed in further detail in the section of this analysis that discusses operating results.

The remaining approximate \$.6 million increase in current assets is a result of rising interest rates that provided additional investment income.

Non-current assets, which include capital assets net of depreciation and other assets make up the remaining increase for the year. Capital assets net of depreciation increased by \$1.9 million and approximately \$1.5 million decrease occurred in other assets. The decrease in other assets is explained in the current asset section of this analysis.

Total capital assets increased by \$5.1 million during the year due to the following:

- Construction of the new wing of the Student Services building and the Precision Machining building on the Beltline Campus accounted for approximately \$3.9 million increase in Construction in Progress.
- Machinery, equipment, vehicles and other increased by approximately \$1.3 million as a result of current year capitalization.
- Approximately \$.133 million of land on Hardscrabble Road was sold during the fiscal year and removed from the property inventory.
- Additional depreciation in the amount of \$3.3 million was recognized on capital assets during the year.

The following table contains an analysis of capital assets as of June 30, 2005 and 2004.

Analysis of Capital Assets June 30, (in millions)

	2005	2004	Increase (Decrease)	Percent Change
Land and Improvements	\$ 5.2	\$ 5.3	\$ (0.1)	-1.9%
Construction in Progress	4.3	0.4	3.9	2.0%
Works of Art	0.1	0.1	-	0.0%
Buildings and Improvements	60.0	60.0	-	0.0%
Machinery, Equipment, Vehicles & Other	11.2	9.9	1.3	13.1%
Total Capital Assets	\$ 80.8	\$ 75.7	\$ 5.1	6.8%
Less Accumulated Depreciation	29.1	25.8	(3.3)	12.8%
Capital Assets	\$ 51.7	\$ 49.9	\$ 1.8	3.5%

Liabilities

Total liabilities were \$18.8 million, a net increase of \$ 1.2 million over the prior fiscal year. Increases in retainages payable for construction contracts and accounts payable related to the new wing of the Student Services building and

the Precision Machining building accounts for approximately \$.6 million of the increase while the remaining \$.6 million is due to increases in accounts payable and deferred revenue for the Continuing Education Division, state programs for lottery tuition assistance and state need based programs. Non-current liabilities decreased by \$.1 million over the prior year from the reduction in the bonds payable.

Net Assets

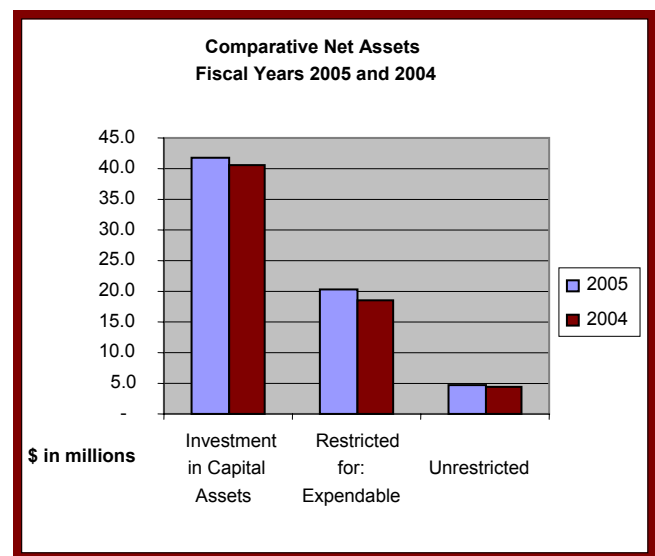
Total net assets at June 30, 2005 were \$67.0 million, up by \$3.3 million from the prior fiscal year.

Investment in capital assets increased by \$1.2 million and resulted from increases in capital assets of \$1.8 million less the increase in retainages payable for construction contracts of \$.6 million.

Restricted net assets increased significantly, by \$1.8 million. The College's governing board allocates excess funds at the end of each fiscal year for major one-time expenditures that do not depend on recurring sources of funding. The increase in restricted net assets reflects this policy and is the result of excess funds not spent in the budget, part of which is a budgeted contingency of \$1.0 million.

Unrestricted net assets represent the College's 30-day operating reserve that excludes non-essential expenses. This reserve increased by \$.3 million over the prior year.

The following is a graphic representation of the College's Net Assets at June 30, 2005 and 2004.



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents and categorizes revenues earned and expenses incurred during the year by operating and non-operating. Generally, operating revenues and expenses are those, which are received and used to carry out the mission of the College;

however the College depends heavily on financial support from the state and counties for which it provides services. This support is reflected as non-operating revenue based on governmental accounting standards, therefore the College will always reflect an operating deficit and its dependence on state and local funding. Non-operating revenues and expenses offset the operating deficit and result in an overall increase in net assets for the year. State capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported below "Income before other revenues, expenses, gains or losses".

Operating Results

The following schedule summarizes the College's operating results for fiscal year ended June 30, 2005 with comparative data for fiscal year ended June 30, 2004. Certain amounts in the prior year have been reclassified to conform to current year presentation.

Condensed Summary of Revenues, Expenses and Changes in Net Assets June 30, (in millions)

	2005	2004	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees	\$22.1	\$21.4	\$0.7	3.3%
Grants and Contracts	22.9	20.4	2.5	12.3%
Auxiliary	5.9	5.6	0.3	5.4%
Other	0.6	0.6	-	0.0%
Total Operating Revenues	51.5	48.0	3.5	7.3%
Less Operating Expenses	76.4	70.6	5.8	8.1%
Net Operating Loss	(24.9)	(22.6)	2.3	10.1%
Non-operating Revenue				
State Appropriations	19.0	18.3	0.7	3.7%
Local Appropriations	7.6	7.4	0.2	2.6%
Proceeds from State	-	-	-	-
Other	1.0	0.1	0.9	9.0%
Total Non-operating Revenue	27.6	25.8	1.8	6.5%
Increase in Net Assets	3.3	3.1	0.2	6.5%
Net Assets, Beginning of Year	63.7	60.6	3.1	5.1%
Net Assets, End of Year	67.0	63.7	3.3	5.2%
Total Revenues	79.1	73.8	5.3	7.2%

Revenue

Total revenue increased from \$73.8 million in the prior fiscal year to \$79.1 million, an increase of \$5.3 million or 7.2 percent.

Operating revenue increased by \$3.5 million, while non-operating revenue increased by \$1.8 million. Within the category of operating revenues, grants and contracts increased most significantly with increases in Pell grants to students and across the board increases in the state funded student financial assistance programs. These increases were the result of additional eligible students. The remaining amount occurred in contracts from non-governmental sources, primarily Strategic Improvement Services, which

provides training and consulting services in the Continuing Education Division of the College.

Other increases in operating revenue occurred in tuition and fees and in auxiliary enterprises. These increases are in line with enrollment growth.

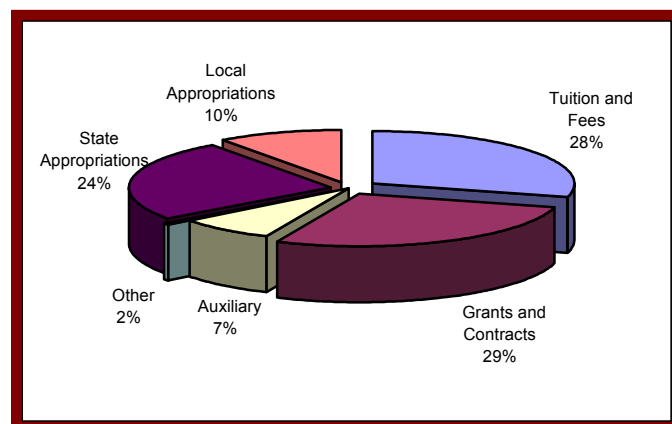
The increases in non-operating revenue occurred primarily in state appropriations. The College received an additional appropriation of \$.6 million from the state for its nursing program that it expects to receive on a recurring basis. These funds are earmarked to address the shortage of nurses in the College's service area.

Other non-operating revenue increased as a result of two factors.

- The College realized a gain on the sale of the property located on Hardscrabble Road of approximately \$.4 million.
- The South Carolina Technical College System Office transferred capital assets to the College in the approximate amount of \$.6 million net of depreciation.

The following graph represents sources and percentages of revenue to the College for the fiscal year.

REVENUE BY SOURCE



Expenses

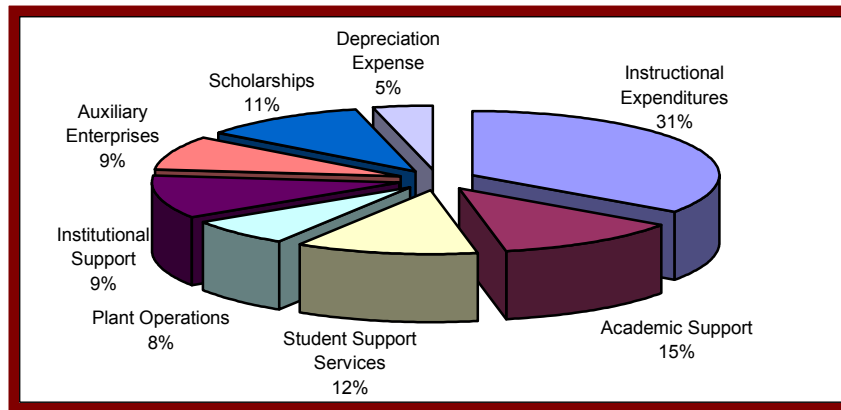
Operating expenses were \$76.4 million for the fiscal year, up by \$ 5.8 million or 8.1 percent over the prior year. Almost half of the increase occurred in salaries. The College's governing board approved a 5 percent salary increase for employees, of which only 3 percent was funded by the state. New hires of permanent full time employees resulted in the remaining increase.

Approximately 25 percent of the increase in operating expenses occurred in supplies and other services as a result of non-capitalized expenses for the Student Services addition and the Precision Machining building on the Beltline Campus.

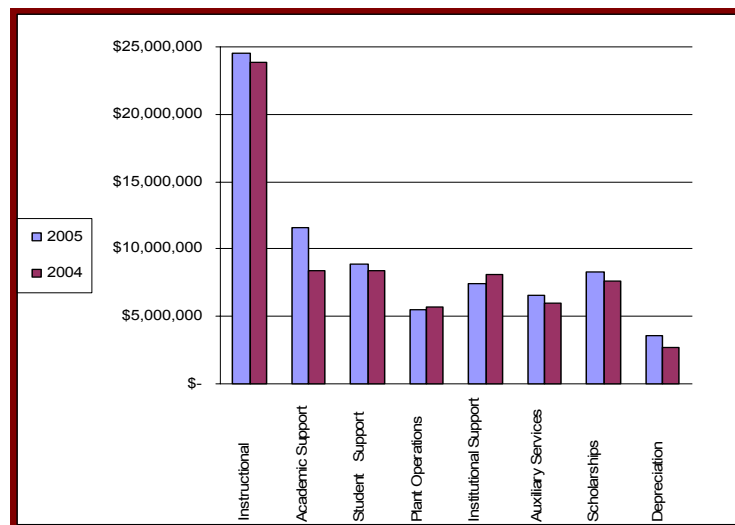
The remaining approximately 25 percent of the increase in operating expenses occurred in depreciation and scholarship expenses. Depreciation on capital equipment added during the fiscal year comprised approximately 15 percent. Scholarship to students accounted for approximately 12 percent.

The following graphs represent operating expenses by function for fiscal year ended June 30, 2005 and a comparison of operating expenses by function for fiscal years ended 2005 and 2004.

OPERATING EXPENSES BY FUNCTION



COMPARISON OF OPERATING EXPENSES BY FUNCTION FISCAL YEARS 2005 AND 2004

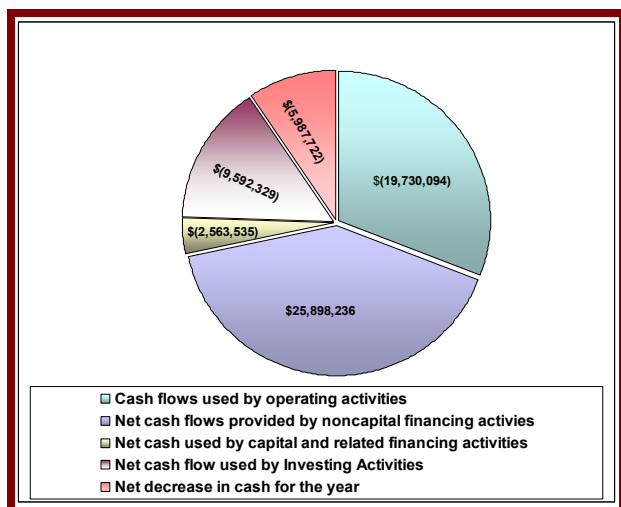


STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will always show a loss in the section cash flows from operating activities due to the College's dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-operating financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities and addresses the cash used for the acquisition and construction of capital and related items. The third section reflects cash flows from capital and related financing activities and shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

The following graph reflects the College's cash flow activity for the reporting period.



Cash decreased by approximately \$6 million over last year. Approximately \$9.6 million was used to purchase investments. Net cash used by capital and related financing activities was approximately \$2.6 million. Overall cash provided from non-capital financial activities included income from state and local appropriations, grants, gifts and contracts and funds held for others of approximately \$25.9 million, which offset the net cash used by operating activities of \$19.7 million.

Debt Administration

The College's financial statements reflect \$8,725,000 in (general obligation) bonds payable. These bonds are general obligation bonds of the state backed by the full faith, credit and taxing power of the state. Tuition revenue is pledged up to the amount of annual debt requirements for the annual payment of principal and interest on the bonds.

Also outstanding at June 30, 2005 is a capital lease payable in the amount of \$300,000 for equipment purchased during the year. The College partially financed an upgrade to the hardware that supports its administrative systems with proceeds from this lease. For additional information on debt administration, please refer to notes 12 and 13.

Economic Factors

The economic condition of the College is dependant to a large degree on that of the state and local governments. State funding remained relatively stable from last year. State support is used to pay salaries and benefits for college employees. As the economic condition of the state continues to improve, the College will be able to minimize increases to students and be better positioned to fund its operations. Local government support for the College remains strong and continues to provide funding for on-going maintenance, renovation and construction of new facilities.

Requests for Information

Additional information or questions concerning any of the information provided should be requested from the College's finance director at Midlands Technical College, P.O. Box 2408, Columbia, SC 29202 or by e-mail at koonh@midlandstech.edu.

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BASIC FINANCIAL STATEMENTS



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MIDLANDS TECHNICAL COLLEGE**STATEMENT OF NET ASSETS****June 30, 2005****ASSETS**

Current assets:

Cash and cash equivalents	\$ 5,354,700
Short-term investments	20,740,665
Accounts receivable, net	4,600,015
Inventories	2,115,683
Other assets	518,243
Total current assets	<u>33,329,306</u>

Noncurrent assets:

Restricted cash and cash equivalents	755,471
Capital assets, net of accumulated depreciation	51,769,414
Total noncurrent assets	<u>52,524,885</u>
Total assets	<u>85,854,191</u>

LIABILITIES

Current liabilities:

Accounts payable	2,822,841
Accrued payroll and related liabilities	584,223
Funds held for others	153,313
Deferred revenue	3,387,998
Long term liabilities-current portion	
Bonds payable	395,000
Capital lease payable	55,835
Compensated absences	274,532
Accrued Interest Payable	111,065
Total current liabilities	<u>7,784,807</u>

Noncurrent liabilities:

Long term liabilities-noncurrent portion	
Bonds payable	8,330,000
Capital lease payable	244,165
Accrued compensated absences	2,445,771
Other noncurrent liabilities	28,303
Total noncurrent liabilities	<u>11,048,239</u>
Total liabilities	<u>18,833,046</u>

NET ASSETS

Invested in capital assets, net of related debt	41,884,241
Restricted for:	
Expendable:	
Capital projects	20,334,790
Debt service	91,547
Unrestricted	4,710,567
Total net assets	<u>\$ 67,021,145</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
June 30, 2005

REVENUES

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$11,440,401)	\$ 22,071,267
Federal grants and contracts	14,198,013
State grants and contracts	7,708,835
Nongovernmental grants and contracts	996,733
Sales and services of educational departments	66,857
Auxiliary enterprises (net of book allowances of \$1,422,665)	5,909,485
Other operating revenues	<u>562,669</u>
Total operating revenues	<u>51,513,859</u>

EXPENSES

Operating expenses:	
Salaries	35,475,529
Benefits	8,346,803
Scholarships	8,266,923
Utilities	1,322,563
Supplies and other services	19,376,080
Depreciation	<u>3,585,235</u>
Total operating expenses	<u>76,373,133</u>
Operating loss	<u>(24,859,274)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	19,014,685
Local appropriations	5,915,254
Investment income (net of investment expense of \$24,877)	664,880
Interest on capital asset-related debt	(387,754)
Federal grants and contracts	25,887
State grants and contracts	<u>194,714</u>
Net nonoperating revenues	<u>25,427,666</u>
Income before other revenues, expenses, gains, or losses	<u>568,392</u>
Capital grants, gifts, revenue, and appropriations	
Local capital appropriations	1,693,000
Gains on disposal of capital assets	384,212
Capital Contributions	<u>652,380</u>
Increase in net assets	3,297,984

NET ASSETS

Net assets-beginning of year	<u>63,723,161</u>
Net assets-end of year	<u><u>\$ 67,021,145</u></u>

The accompanying notes are a integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees	\$ 22,313,223
Federal, State and Local grants and contracts	23,282,526
Non governmental contracts	996,733
Sales and services of educational departments	66,857
Auxiliary enterprises	5,909,485
Other receipts	562,669
Payments to vendors	(29,084,986)
Payments to employees	(43,776,601)
Net cash used by operating activities	<u>(19,730,094)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	19,014,685
Local appropriations	6,652,466
State, Local and Federal grants, gifts and contracts-nonoperating	220,601
Funds held for others	10,484
Net cash flows provided by noncapital financing activities	<u>25,898,236</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Local appropriations for capital	1,750,198
Proceeds from capital lease	300,000
Purchase of capital assets	(4,300,186)
Proceeds from sale of capital assets	523,450
Principal paid on capital debt	(445,194)
Interest paid on capital debt	(391,803)
Net cash used by capital and related financing activities	<u>(2,563,535)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	50,190,975
Interest on investments	590,579
Purchase of investments	(60,373,883)
Net cash flows used by investing activities	<u>(9,592,329)</u>
Net decrease in cash	(5,987,722)
Cash and cash-equivalent beginning of year	12,097,893
Cash and cash-equivalent end of year	<u>\$ 6,110,171</u>

**Reconciliation of net operating loss to net cash
used by operating activities:**

Operating loss	\$ (24,859,274)
Adjustments to reconcile net loss to net cash:	
Depreciation expense	3,585,235
Change in assets and liabilities:	
Accounts receivable, net	1,284,204
Inventories	(253,373)
Other assets	(94,674)
Accounts payable and accrued expenses	195,919
Deferred revenue	333,430
Accrued compensated absences	78,439
Net cash used by operating activities	<u>\$ (19,730,094)</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Change in fair value of investments	\$ 38,994
Assets acquired through donations	652,380
Total noncash investing, Capital and Financing Activities	<u>\$ 691,374</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
as of June 30, 2005

	2005
Assets	
Cash and cash equivalents	\$ 1,586,040
Investments-marketable securities	2,434,051
Investments-real estate	45,000
Contributions receivable, net	1,205,313
Accounts receivable	2,905
Total assets	<u>5,273,309</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	28,038
Total liabilities	<u>28,038</u>
Net assets:	
Unrestricted – undesignated	1,142,104
Unrestricted – designated	49,600
Temporarily restricted	1,310,678
Permanently restricted	2,742,889
Total net assets	<u>5,245,271</u>
Total liabilities and net assets	<u>\$ 5,273,309</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
for the year ended June 30, 2005

	Unrestricted		Temporarily	Permanently	Totals
	Undesignated	Designated	Restricted	Restricted	2005
Revenues, gains and other support					
Contributions	\$ 103,332	\$ —	\$ 146,704	\$ 34,473	\$ 284,509
Income on long-term investments	24,615	8,621	20,150	—	53,386
Other investment income	10,841	—	—	—	10,841
Net unrealized and realized gains	144,637	6,504	15,126	282	166,549
Net assets released from restrictions					
Satisfaction of program restrictions	—	180,500	(180,500)	—	—
Satisfaction of time restrictions	170,293	—	(171,552)	1,259	—
Total revenues, gains and other support	<u>453,718</u>	<u>195,625</u>	<u>(170,072)</u>	<u>36,014</u>	<u>515,285</u>
Expenses					
College support	110,567	143,486	—	—	254,053
Student support	1,000	53,567	—	—	54,567
Management and general	18,190	—	—	—	18,190
Fund raising	1,140	—	—	—	1,140
Total expenses	<u>130,897</u>	<u>197,053</u>	<u>—</u>	<u>—</u>	<u>327,950</u>
Change in net assets	322,821	(1,428)	(170,072)	36,014	187,335
Net assets at beginning of year, as reclassified	<u>819,283</u>	<u>51,028</u>	<u>1,480,750</u>	<u>2,706,875</u>	<u>5,057,936</u>
Net assets at end of year	<u>\$ 1,142,104</u>	<u>\$ 49,600</u>	<u>\$ 1,310,678</u>	<u>\$ 2,742,889</u>	<u>\$ 5,245,271</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Midlands Technical College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Richland, Lexington and Fairfield counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

Midlands Technical College Foundation, Inc. (“the Foundation”) is a not-for-profit organization that was formed August 12, 1970, to benefit and support education at Midlands Technical College.

Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the reporting entity are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Midlands Technical College, as the primary government, and the accounts of Midlands Technical College Foundation (the “Foundation”), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation’s relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The thirty-nine-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the

donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation’s operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences. However, significant note disclosures to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements.

Financial statements for the Foundation can be obtained by mailing a request to Midlands Technical College Foundation, Post Office Box 2408, Columbia, South Carolina 29202.

Financial Statements

The financial statements are presented in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replace the fund-group perspective previously required.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates. Actual amounts may differ from the estimates.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered restricted cash equivalents.

Investments

Deposits and investments for the College are governed by the South Carolina Code of Laws, Title 6, Chapter 5, "Investments of Funds by Political Subdivisions." During the year ended June 30, 2005, the College implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*. This statement required disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of three years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 3 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Deferred Revenues and Deposits

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of current and long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The College's net assets are classified as follows:

- *Invested in capital assets, net of related debt:* This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- *Restricted net assets - expendable:* Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- *Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- *Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

Income Taxes

The College is exempt from income taxes under the Internal Revenue Code.

Classification of Revenues and Expenses

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

- *Operating revenues and expenses:* Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.
- *Non-operating revenues and expenses:* Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. Midlands Technical College receives such revenues primarily from the automotive and dental auxiliary departments.

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by bookstores, food services and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Capitalized Interest

The College's policy is to capitalize as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$387,754 of interest cost during the year ended June 30, 2005, all of which was expensed.

Component Unit

The financial statements of the Foundation are presented in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual basis of accounting. Consequently, the net assets of the Foundation are reported as follows:

- *Unrestricted Undesignated* – Unrestricted Undesignated Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.
- *Unrestricted Designated* – Unrestricted Designated Net Assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.
- *Temporarily Restricted* – Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.
- *Permanently Restricted* – Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.
- *Revenue, Gains and Other Support and Expenses and Losses* – Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to

give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

- *Donated Services, Goods, and Facilities* – A substantial number of volunteers have donated an undetermined number of hours to the Foundation's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

During the year ended June 30, 2005, the Foundation received contributed supplies and equipment valued at approximately \$56,000 from donors. Of this amount approximately \$43,000 related to operating leases of equipment loaned to the Foundation for use by the College. Substantially all contributions of equipment to the Foundation become property of the College upon receipt of the property from the donor. Accordingly, the Foundation records the contributions at their fair value with offset to college support in these financial statements.

- *Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- *Cash and Cash Equivalents* – Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than 90 days. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.
- *Investments* – Investments in equity securities with readily determinable fair values and all investments in

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

debt securities are measured at fair value in the statement of financial position. Investment in real estate held for sale is reported at the lower of cost or market. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Securities or other investments donated are recorded at their market value at the date of the gift.

- *Concentrations of Credit and Market Risk* – Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Foundation has not experienced any losses on its cash equivalents. Management believes that the Foundation's investment portfolio is adequately diversified among issuers. In addition, management believes that the Foundation has the ability to hold its

investment portfolio during periods of temporary market declines.

- *Income Taxes* – The Foundation has received a determination from the Internal Revenue Service that it is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Service.

NOTE 2 – STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2005:

NON-CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	\$ 17,613,808
Other adjustments:	
Lottery Technology Equipment	755,734
Nursing Funding	613,590
Pathways to Prosperity	<u>31,553</u>
Total non-capital appropriations recorded as current year revenue	<u>\$ 19,014,685</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Deposits include cash and cash equivalents on deposit in banks and held by the State Treasurer. At year-end, the College's carrying amount of deposits with banks was \$5,331,302. The bank balance was \$6,940,289 of which \$100,000 was covered by FDIC insurance and the balance was collateralized with securities held by a third-party financial institution (as the College's agent) in the College's name. The State Treasurer held \$755,471 in its pooled cash funds in the College's name.

Restricted cash includes \$17,515 held for debt service reserve funds and \$737,956 held for maintenance, repair and replacement, both as required by bond indentures.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The College's policy regarding custodial credit risk related to deposits is to ensure funds on deposit are obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit or collateralized repurchase agreements. Additionally, the College deposits its funds in large financially sound institutions.

The College did not recognize losses due to default by counterparties.

Credit Risk – The College's policy regarding credit risk of deposits is that it only uses high quality brokers and financial institutions to manage its investment portfolios. In addition, the College's investments include only obligations of the United States Government and certificates of deposit. These types of investments are not subject to credit risk as they are fully collateralized and/or insured by the Federal Deposit Insurance Corporation. Therefore, the disclosure of quality ratings on rated debt investments is not applicable to the College.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. The College does not maintain deposits that are denominated in a currency other than the United States dollar; and therefore, is not exposed.

Investments

The College's investments at June 30, 2005, are *not* with the South Carolina State Treasurer's Office and are alternatively

held by certain financial institutions in the College's name. The fair value of investments at June 30, 2005 was approximately \$20,741,000, and consists solely of certificates of deposits or United States government backed securities with maturities of less than one year. All of the securities for the reporting period were either fully collateralized or insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The College limits its investments to the safest types of securities and structures its investment portfolio so securities mature to meet cash requirements for ongoing operations and therefore prevents the need to sell securities prior to maturity. The College monitors its investments periodically to ensure that the collateral exceeds the market value of investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy regarding credit risk of investments is that it only uses high quality brokers and financial institutions to manage its investment portfolios. In addition, the College's investments include only obligations of the United States Government and certificates of deposit. These types of investments are not subject to credit risk as they are fully collateralized and/or insured by the Federal Deposit Insurance Corporation. Therefore, the disclosure of quality ratings on rated debt investments is not applicable to the College.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

More than 5 percent of the total investments at June 30, 2005, were in securities with one financial institution. These investments represented approximately 99 percent of total investments and were explicitly guaranteed by the United States government.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

All investments in the College's portfolio at June 30, 2005 have fixed rates, therefore the College is not exposed to interest rate risk as it applies to debt investments.

Investment Pool – The College has deposits of \$755,000 held as a part of the State of South Carolina Office of State Treasurer Local Government Investment Pool. Deposit risk information relating to this investment pool may be obtained

from the State of South Carolina's Comprehensive Annual Financial Report. Copies of this report may be obtained from the South Carolina Office of the Comptroller General, 1200 Senate Street, 305 Wade Hampton Office Building, Columbia, South Carolina 29201 or by visiting the Comptroller General's website at <http://www.cg.state.sc.us/>.

A reconciliation of the College's deposits and investments on its statement of net assets to this footnote disclosure is as follows:

STATEMENT OF NET ASSETS:

Cash and cash equivalents	\$ 5,354,700
Restricted cash and cash equivalents	755,471
Investments	<u>20,740,665</u>

TOTAL STATEMENT OF NET ASSETS	<u><u>\$ 26,850,836</u></u>
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DEPOSITS AND INVESTMENTS NOTE:

Carrying value of deposits	\$ 5,331,302
Cash on hand	23,395
Held by State Treasurer	755,471
Certificates of Deposit	302,633
U.S. Government Securities	<u>20,438,035</u>
TOTAL DEPOSITS AND INVESTMENTS NOTE	<u><u>\$ 26,850,836</u></u>

Component Unit

The following summarizes the cost and fair values of investments at June 30,

	2005	
	Cost	Fair Value
Marketable securities:		
Mutual funds-fixed income	\$ 701,976	\$ 689,771
Mutual funds- equities	1,603,365	1,744,280
	<u>2,305,341</u>	<u>2,434,051</u>
Real estate held for sale	45,000	45,000
	<u>\$ 2,350,341</u>	<u>\$ 2,479,051</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2005, including applicable allowances, were as follows:

Receivables:

Local government	\$ 31,120
Student accounts	3,631,056
Less: allowance for uncollectibles	(1,756,901)
Company accounts	1,523,119
Federal grants and contracts	480,944
State grants and contracts	676,503
Non-governmental grants and contracts	<u>14,174</u>
Receivables, net	<u>\$ 4,600,015</u>

The above allowance for losses for student accounts receivable is established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

Contributions Receivable-Component Unit

Unconditional promises to give as of June 30, 2005, are due as follows:

Within one year	\$ 564,444
One to five years	<u>931,928</u>
Total	1,496,372
Allowance for uncollectible pledges	(129,635)
Present value discount	<u>(161,424)</u>
Contributions receivable, net	<u>\$ 1,205,313</u>

This discount used on long-term promises to give was 4% for 2005.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 5 – CAPITAL ASSETS

	Beginning Balance June 30, 2004	Increases	Decreases	Ending Balance June 30, 2005
Capital assets not being depreciated:				
Land and improvements	\$5,348,485	\$ -	(\$133,000)	\$5,215,485
Construction in progress	373,471	3,954,309	(15,106)	4,312,674
Works of art, historical treasures, and similar assets	95,346	-	-	95,346
Total capital assets not being depreciated	5,817,302	3,954,309	(148,106)	9,623,505
Other Capital assets:				
Buildings and improvements	56,206,222*	-	-	56,206,222
Machinery, equipment, and other	8,150,146	1,688,799	(276,805)	9,562,140
Vehicles	982,321	-	(38,365)	943,956
Depreciable land improvements	3,837,604*	-	-	3,837,604
Intangibles	748,760	-	-	748,760
Total other capital assets at historical cost	69,925,053	1,688,799	(315,170)	71,298,682
Less accumulated depreciation for:				
Buildings and improvements	(15,688,345)	(1,564,002)	-	(17,252,347)
Machinery, equipment, and other	(6,647,622)	(1,717,365)	275,738	(8,089,249)
Vehicles	(711,311)	(65,655)	33,194	(743,772)
Depreciable land improvements	(2,292,841)	(214,614)	-	(2,507,455)
Intangibles	(536,350)	(23,600)	-	(559,950)
Total accumulated depreciation	(25,876,469)	(3,585,236)	308,932	(29,152,773)
Other capital assets, net	44,048,584	(1,896,437)	(6,238)	42,145,909
Capital assets, net	\$49,865,886	\$2,057,872	(\$154,344)	\$51,769,414

*Certain beginning balances have been reclassified to conform to current year presentation.

During the year ended June 30, 2005, the College received a contribution of machinery and equipment of \$652,381 from a state agency which is included in the \$1,688,799 of additions to machinery and equipment above. These assets were recorded at the contributing agencies book value and a full year's depreciation was recorded for fiscal year 2005 in compliance with the Comptroller General Policy.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to The South Carolina Retirement System, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 10.80 percent, which included a 3.25 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2005, 2004, and 2003, were \$2,986,588, \$2,816,020, and \$2,724,773, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$40,930 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 13.55 percent, which, as for the SCRS, included the 3.30 percent surcharge. The College's actual contributions to the PORS for the years ending June 30, 2005, 2004, and 2003 were \$22,079, \$22,537, and \$17,309, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$337 and accidental death insurance contributions of \$337 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law employer, contributions to the ORP are required at the same rates as for the SCRS, 7.50 percent plus the retiree surcharge of 3.30 percent from the employer in fiscal year 2005. A direct remittance is required from the employers to the investment providers for the employee

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS (Continued)

contribution (6 percent) and a portion of the employer contribution (5 percent). Also, a direct remittance is required to SCRS for a portion of the employer contribution (2.55 percent), which must be retained by SCRS.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefit.

For the fiscal year, total contribution requirements to the ORP were \$94,455 (excluding the surcharge) from Midlands Technical College as employer and \$75,564 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$337 in the current fiscal year at the rate of .15 percent of compensation.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Subsequent Event

Effective July 1, 2005, retired SCRS or PORS members who are TERI participants working for a covered employee pays the active employee contribution. The SCRS employee contribution increased by .25% beginning July 1, 2005 and the SCRS employer contribution will increase by 1% over two years beginning July 1, 2006.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 7 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$2,803,636 for the year ended June 30, 2005. The College paid \$100,325 applicable to the 3.25 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to College retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from the System's earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 8 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of college management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2005, the College had remaining commitment balances of approximately \$579,985 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. Remaining commitment balances with certain parties related to these projects total \$164,426 at June 30, 2005.

The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, local appropriations, and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 9 – LEASE OBLIGATIONS

Operating Leases

The College leases certain office equipment under operating leases with external parties. Future minimum payments under these non-cancelable leases are as follows:

<u>Year Ended June 30,</u>	<u>Operating Leases with External Parties</u>
2006	\$ 141,209
2007	20,259
2008	13,371
2009	13,371
2010	-
Total Minimum Payments	<u>\$ 188,210</u>

Operating lease payments disbursed to external parties during the fiscal year ended 2005 total \$148,479. The College's contingent rental payments were \$110,904 for copiers with expense determined on a cost per copy basis.

Capital Lease

<u>Year Ended June30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2006	\$ 55,835	\$ 10,792	\$ 66,627
2007	57,844	8,784	66,628
2008	59,925	6,703	66,628
2009	62,081	4,547	66,628
2010	64,315	2,314	66,629
Total	<u>\$ 300,000</u>	<u>\$ 33,140</u>	<u>\$ 333,140</u>

Capital lease payable at June 30, 2005 consists of a lease secured by computer systems and peripheral equipment, dated May 4, 2005, payable in annual installments of \$66,627, beginning in 2006, and maturing on May 4, 2010, at an interest rate of 3.597%, with an outstanding principal balance of \$300,000 at June 30, 2005. The cost of the equipment was \$499,300 less accumulated depreciation of \$166,267 with a net book value of \$333,033.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 10 – LINE OF CREDIT

The Commission authorized the administration to create a temporary line of credit not to exceed \$1,000,000 if needed to support the operations of the College. The line of credit was not opened during the year.

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2005, are summarized as follows:

Accounts Payable	\$ 1,870,118
Student Payable	73,624
Employee Payable	18,927
Construction Payable	476,695
Retainage Payable	<u>383,477</u>
	<u>\$ 2,822,841</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 12 – BONDS AND NOTES PAYABLE

Bonds Payable

Bonds payable consisted of the following at June 30, 2005:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 2002C	3.0% to 4.5%	10/01/21	\$4,905,000
Series 1998A	4.5% to 4.7%	03/01/18	<u>3,820,000</u>
Total General Obligation Bonds			<u>\$8,725,000</u>

General obligation bonds of the State are backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on general obligation bonds. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition bond fees for the preceding fiscal year. Tuition bond fees

for the preceding year were \$1,493,820, which results in a legal annual debt service at June 30, 2005 of \$1,344,438. The annual debt service payments for the fiscal year ended June 30, 2005 were \$765,393.

The scheduled maturities of the bonds payable are as follows:

<u>General Obligation Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006	\$ 395,000	\$ 370,968	\$ 765,968
2007	420,000	355,818	775,818
2008	440,000	339,018	779,018
2009	465,000	321,874	786,874
2010	490,000	302,605	792,605
2011 – 2015	2,855,000	1,173,270	4,028,270
2016 – 2020	2,840,000	486,835	3,326,835
2021 - 2022	820,000	37,350	857,350
Total	<u>\$ 8,725,000</u>	<u>\$ 3,387,738</u>	<u>\$12,112,738</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 13 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2005 was as follows:

	June 30, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2005</u>	Due Within <u>One Year</u>
Bonds and Note Payable					
General Obligation Bonds	\$ 9,105,000	\$ -	\$ 380,000	\$ 8,725,000	\$ 395,000
Note Payable	65,194	-	65,194	-	-
Lease Payable	-	300,000	-	300,000	55,835
Total Bonds, Notes and Capital Leases	9,170,194	300,000	445,194	9,025,000	450,835
Accrued Compensated Absences	2,641,864	2,905,041	2,826,602	2,720,303	274,532
Total Long-Term Liabilities	<u>\$ 11,812,058</u>	<u>\$ 3,205,041</u>	<u>\$ 3,271,796</u>	<u>\$11,745,303</u>	<u>\$ 725,367</u>

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS – COMPONENT UNIT

At June 30, 2005, temporarily restricted net assets are available for the following specific program services:

Periods after June 30, 2005	\$ 383,888
Specific grant programs	<u>926,790</u>
	<u>\$ 1,310,678</u>

During the year, temporarily restricted net assets were released for satisfaction of the following restrictions:

Scholarships	\$ 37,014
Professional Development	21,887
Program Support	117,824
Student Support	510
Equipment	<u>3,265</u>
Total program restrictions released	<u>\$ 180,500</u>
Time restrictions released	<u>\$ 171,552</u>

During fiscal year 2005, at a donor's request, the Foundation changed a contribution in the amount of \$863, of which \$597 was previously recorded as temporarily restricted, to permanently restricted. The Foundation also corrected a classification of a pledge receivable of \$41,500 from permanently restricted to temporarily restricted. This reclassification is reflected in net assets at beginning of the year.

NOTE 15 – PERMANENTLY RESTRICTED NET ASSETS – COMPONENT UNIT

Permanently restricted net assets of \$2,742,889 at June 30, 2005 are restricted to investment in perpetuity; the income from which is expendable to support the Foundation's objectives.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 16 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

The College recorded non-governmental gifts receipts of \$54,567 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2005. These funds were used to support College programs such as scholarships. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. The value of this office space and support services was approximately \$149,000 for the year ended June 30, 2005. Additionally, the Foundation paid the College a total of \$3,000 for administrative services during the year.

Amounts due from the Foundation as of June 30, 2005 are approximately \$28,000.

NOTE 17 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 18 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2005 are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 17,381,477	\$ 3,926,903	\$ -	\$ -	\$ 3,191,636	\$ -	\$ 24,500,016
Academic Support	5,439,956	1,574,013	-	-	4,588,974	-	11,602,944
Student Services	5,246,990	1,231,964	-	-	2,381,596	-	8,860,551
Operation and Maintenance of Plant	1,405,602	406,182	-	1,300,642	2,432,863	-	5,545,289
Institutional Support	5,356,954	1,064,527	-	-	1,416,366	-	7,837,847
Scholarships	-	-	8,266,923	-	-	-	8,266,923
Auxiliary Enterprises	644,548	143,214	-	21,921	5,364,645	-	6,174,328
Depreciation	-	-	-	-	-	3,585,235	3,585,235
Total Operating Expenses	<u>\$ 35,475,529</u>	<u>\$ 8,346,803</u>	<u>\$ 8,266,923</u>	<u>\$ 1,322,563</u>	<u>\$ 19,376,080</u>	<u>\$ 3,585,235</u>	<u>\$ 76,373,133</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 19 – STATEMENT OF ACTIVITIES

Midlands Technical College's transactions are reported in the Higher Education Fund, an enterprise fund, of the State of South Carolina. Following is information needed to present the College's business-type activities in the State's government-wide Statement of Activities.

	<u>2005</u>	<u>2004</u>
Charges for services	\$ 50,951,190	\$ 47,468,878
Operating grants and contributions	7,747,616	6,794,046
Capital grants and contributions	2,345,381	1,661,000
Less: expenses	<u>(76,760,885)</u>	<u>(71,091,014)</u>
Net program expense	<u>(15,716,698)</u>	<u>(15,167,087)</u>
General revenues:		
Earnings on investments	-	-
Transfers:		
State appropriations	19,014,685	18,323,689
State capital appropriations	-	-
Capital improvement bond proceeds	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>19,014,685</u>	<u>18,323,689</u>
Change in net assets	3,297,984	3,156,602
Net assets-beginning	<u>63,723,161</u>	<u>60,566,559</u>
Net assets-ending	<u>\$ 67,021,145</u>	<u>\$ 63,723,161</u>

NOTE 20 – TRANSACTION WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies. Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General. Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

FEDERAL AWARDS SECTION



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MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED June 30, 2005

		Federal CFDA	Program	Program or Award	Accrued Revenue at		Accrued Revenue at	
<u>Major</u>	<u>Number</u>		<u>Year</u>	<u>Amount</u>	<u>7/1/2004</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>6/30/05</u>
Student Financial Assistance Cluster								
U. S. Department of Education								
9840213	SEOG 2003	*	84.007A	02/03	\$ 263,249.00	\$ -	\$ (250.00)	\$ (250.00)
9840214	SEOG 2004	*	84.007A	03/04	368,403.00	62,800.00	(10,815.42)	51,984.58
9840215	SEOG 2005	*	84.007A	04/05	380,982.00	-	(464,986.79)	2,970.45
					<u>1,012,634.00</u>	<u>62,800.00</u>	<u>(475,802.21)</u>	<u>54,705.03</u>
9840100	College Work Study Program	*	84.033A	04/05	470,347.00	51,349.55	(421,999.62)	26,020.54
9840313	PELL	*	84.063	02/03	8,135,117.75	(3,165.00)	3,165.00	(4,000.00)
9840314	PELL	*	84.063	03/04	10,179,606.00	958,299.14	(1,032,920.12)	72,395.98
9840315	PELL	*	84.063	04/05	10,986,325.90	-	(10,979,144.90)	33,717.64
					<u>29,301,049.65</u>	<u>955,134.14</u>	<u>(12,008,900.02)</u>	<u>27,492.64</u>
Total Student Financial Assistant Cluster					<u>30,784,030.65</u>	<u>1,069,283.69</u>	<u>(12,906,701.85)</u>	<u>11,945,636.37</u>
TRIO Cluster								
9841104	UpwardBound	*	84.047A	03/04	287,703.00	78,939.79	(136,521.28)	57,581.49
9841105	UpwardBound	*	84.047A	04/05	287,703.00	-	(145,320.46)	225,930.44
					<u>575,406.00</u>	<u>78,939.79</u>	<u>(281,841.74)</u>	<u>283,511.93</u>
9841204	Talent Search	*	84.044A	03/04	345,561.00	26,750.96	(100,099.03)	73,348.07
9841205	Talent Search	*	84.044A	04/05	345,561.00	-	(211,609.56)	253,346.07
					<u>691,122.00</u>	<u>26,750.96</u>	<u>(311,708.59)</u>	<u>326,694.14</u>
9841214	Student Support Services (SSS-AC)	*	84.042A	03/04	260,181.00	24,428.11	(84,287.07)	59,858.96
9841215	Student Support Services (SSS-AC)	*	84.042A	04/05	260,181.00	-	(185,043.06)	204,040.69
					<u>520,362.00</u>	<u>24,428.11</u>	<u>(269,330.13)</u>	<u>263,899.65</u>
9841303	Education Opportunity Center (EOC)	*	84.066A	02/03	190,000.00	23.43	(313.17)	289.74
9841304	Education Opportunity Center (EOC)	*	84.066A	03/04	204,000.00	21,349.17	(58,644.13)	37,294.96
9841305	Education Opportunity Center (EOC)	*	84.066A	04/05	204,000.00	-	(137,284.25)	153,633.55
					<u>598,000.00</u>	<u>21,372.60</u>	<u>(196,241.55)</u>	<u>191,218.25</u>
Total TRIO Cluster					<u>2,384,890.00</u>	<u>151,491.46</u>	<u>(1,059,122.01)</u>	<u>1,065,323.97</u>

**MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)**

Passed Through State Technical Board for Comprehensive Education

9843800	Congressional Grant	84.116Z	04/05	-	25,220.00	(25,245.00)	25.00	-
Total Passed Through State Technical Board for Comprehensive Education				-	25,220.00	(25,245.00)	25.00	-

Passed Through S.C. Department of Education

9843003	Perkins III (05VA409)	84.048	04/05	584,684.00	115,657.32	(462,214.38)	539,049.89	192,492.83
9894004	Learn & Serve America (05FA417)	94.004	04/05	2,000.00	-	-	2,000.00	2,000.00
9842804	Gear Up	84.334A	03/04	130,659.00	38,523.48	(50,015.87)	11,492.39	-
9842805	Gear Up	84.334A	04/05	136,454.00	-	(45,057.92)	102,473.32	57,415.40
				267,113.00	38,523.48	(95,073.79)	113,965.71	57,415.40
Total passed Through S.C. Dept of Education				853,797.00	154,180.80	(557,288.17)	655,015.60	251,908.23

Passed Through University of South Carolina

9842810	Eisenhower Grant (05-1008)	84.281A	04/05	8,000.00	-	(8,000.00)	8,000.00	-
9843360	Teacher Quality (05-1059)	84.336B	04/05	124,931.00	-	(26,594.11)	71,461.55	44,867.44
Total passed Through University of South Carolina				132,931.00	-	(34,594.11)	79,461.55	44,867.44

Total U.S. Department of Education

34,155,648.65	1,400,175.95	(14,582,951.14)	13,745,462.49	562,687.30
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U.S. Department of Labor

Passed Through Central Midlands Council of Governments:

9170522	WIA-Youth (4Y694C1)	17.255	04/05	208,827.00	37,704.70	(203,321.20)	206,984.50	41,368.00
Total passed Through Central Midlands Council of Governments				208,827.00	37,704.70	(203,321.20)	206,984.50	41,368.00

Passed Through Santee-Lynches Area Agency on Aging

9170400	Commission on Aging Title V	17.235	04/05	6,363.00	1,145.66	(4,589.39)	3,443.73	-
Total Passed Through Santee-Lynches Area Agency on Aging				6,363.00	1,145.66	(4,589.39)	3,443.73	-

Total U.S. Department of Labor

215,190.00	38,850.36	(207,910.59)	210,428.23	41,368.00
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MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

National Science Foundation

Passed Through South Carolina State University

9470003	SCAMP- YEAR II	47.064	02/03	25,000.00	13,583.08	(13,583.08)	-	-
9470004	SCAMP	47.064	03/04	25,000.00	11,467.93	(24,253.40)	12,785.47	-
9470005	SCAMP (03-444583)	47.064	04/05	25,000.00	-	(149.00)	13,101.96	12,952.96
Total Passed Through South Carolina State University				75,000.00	25,051.01	(37,985.48)	25,887.43	12,952.96

Passed Through University of South Carolina

9470050	NSF-Peer Review (05-1057)	47.076	04/05	27,572.00	-	-	27,571.46	27,571.46
Total Passed Through University of South Carolina				27,572.00	-	-	27,571.46	27,571.46

9470030	National Science Foundation	47.076	01/02	169,400.00	-	(79,991.33)	79,991.33	-
Total NSF Department of Treasury				169,400.00	-	(79,991.33)	79,991.33	-

Total National Science Foundation				271,972.00	25,051.01	(117,976.81)	133,450.22	40,524.42
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U.S. Department of Health and Human Services

Passed through S.C. Dept of Education

9843200	T.E.A.C.H.	93.575	04/05	122,000.00	23,388.29	(133,517.10)	134,559.24	24,430.43
Total U.S. Department of Health and Human Services				122,000.00	23,388.29	(133,517.10)	134,559.24	24,430.43

TOTAL FEDERAL ASSISTANCE				\$ 34,764,810.65	\$ 1,487,465.61	\$ (15,042,355.64)	\$ 14,223,900.18	\$ 669,010.15
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Guaranteed student loans awarded totaled \$13,010,471.81 at June 30, 2005.

* denotes major program.

MIDLANDS TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2005

1. Description

Midlands Technical College (the "College") has adopted the Federal Office of Management and Budget's ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (as revised). For purposes of implementing OMB Circular A-133, federal grant awards were made susceptible to audit and are included in the Schedule of Expenditures of Federal Awards.

2. Summary of Significant Accounting Principles

Basis of Presentation

The financial activity shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by the College on the accrual basis, during its fiscal year July 1, 2004 through June 30, 2005.



**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Required by *Government Auditing Standards***

To the President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

We have audited the basic financial statements of Midlands Technical College (the "College") as of and for the year ended June 30, 2005, and have issued our report thereon dated August 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Commission, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
August 29, 2005

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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance Required by OMB Circular A-133

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

Compliance

We have audited the compliance of Midlands Technical College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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The President and Members of the Commission
Midlands Technical College
Page 2 of 2

This report is intended for the information of the Commission, management and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
August 29, 2005

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Summary of Auditors' Results:

- 1) Type of report issued on basic financial statements – unqualified.
- 2) No material weaknesses were disclosed during the audit of the basic financial statements.
- 3) Material noncompliance (as defined by OMB Circular A-133) disclosed in audit of basic financial statements – none.
- 4) No material weaknesses were disclosed during the audit of internal control over major federal award programs.
- 5) Type of report issued on compliance for major programs – unqualified.
- 6) Major federal financial assistance programs – Student Financial Assistance (Cluster) and TRIO Cluster.
- 7) Dollar threshold for distinguishing between Type A and Type B Programs – \$426,717.
- 8) Qualified as a low-risk auditee – no

Generally Accepted Governmental Auditing Standards Findings:

Involving Federal Funds:

None.

Not Involving Federal Funds:

None.

Federal Awards Findings:

None.

Status of Prior Year's Comments:

During the prior year audit, a reportable condition, which was also considered to be a material weakness, was found in the area of capital assets. This matter was corrected during the current audit period.



Independent Accountants' Report on State Lottery Tuition Assistance

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

We performed certain procedures on the administrative procedures and internal controls related to the State Lottery Tuition Assistance Program (the "Program") for the year ended June 30, 2005, to determine that Midlands Technical College (the "College") administered the Program in accordance with State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

The method of sample selection used was random. Twenty-five students were selected from the College's list of award recipients.

We obtained the individual files maintained in the financial aid office of each applicant selected to determine that they contained adequate information and documentation to determine eligibility. We also tested individual files to determine if any lottery tuition assistance awarded exceeded the remaining cost of tuition and academic fees for the applicable semester after first applying Pell grants, FSEOG, SC Need-Based grants, and other applicable grants.

We also selected a sample of students deemed ineligible for the Program, to determine that the students were granted the right to appeal the decision by submitting a written request to the College's Director of Financial Aid, and if the students' requests were handled in accordance with the College's financial aid procedures.

We traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the student's account.

The results of our tests disclosed no instance of noncompliance with State Law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

This report is intended solely for the use of management, Midlands Technical College Area Commission, and management of the State Board for Technical and Comprehensive Education and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
August 29, 2005

MEMBER OF THE BDO SEIDMAN ALLIANCE

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SCHEDULES



MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF CURRENT FUNDS REVENUES BY SOURCE
Last 10 fiscal years

Current Fund Revenues*	For the Years Ended June 30,				
	2005	2004	2003	2002	2001
Student Revenues	\$ 32,017,848	31,023,001	\$ 25,214,844	\$ 19,662,268	\$ 15,650,718
State Appropriations	19,014,685	18,323,689	21,767,831	23,757,529	25,203,111
Local Appropriations	5,195,254	5,038,676	5,484,775	6,418,590	6,243,881
Restricted Grants and Contracts	14,223,900	13,270,752	12,589,713	11,230,347	9,077,998
State Grants and Contracts	7,903,549	7,071,156	5,772,060	1,730,550	1,146,849
Other Grants and Contracts	996,733	219,232	55,237	45,165	70,076
Sales and Service of Educational Depts.	66,857	55,172	61,154	66,350	74,735
Auxiliary Enterprises	7,557,367	6,885,841	6,280,829	5,575,555	5,363,654
Interest Income	589,383	151,486	229,387	333,759	762,877
Other	262,207	658,765	699,095	831,057	160,081
Total Revenues	\$ 87,827,783	\$ 82,697,770	\$ 78,154,925	\$ 69,651,170	\$ 63,753,980

Current Fund Revenues	For the Years Ended June 30, (percent of total current fund revenues)				
	2005	2004	2003	2002	2001
Student Revenues	36.5%	37.5%	32.3%	28.2%	24.5%
State Appropriations	21.6%	22.2%	27.9%	34.1%	39.5%
Local Appropriations	5.9%	6.1%	7.0%	9.2%	9.8%
Restricted Grants and Contracts	16.2%	16.0%	16.1%	16.1%	14.2%
State Grants and Contracts	9.0%	8.6%	7.4%	2.5%	1.8%
Other Grants and Contracts	1.1%	0.3%	0.1%	0.1%	0.1%
Sales and Service of Educational Depts.	0.1%	0.1%	0.1%	0.1%	0.1%
Auxiliary Enterprises	8.6%	8.3%	8.0%	8.0%	8.4%
Interest Income	0.7%	0.2%	0.3%	0.5%	1.2%
Other	0.3%	0.7%	0.8%	1.2%	0.4%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

* Reconciliation to Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues		\$ 51,513,859
Internal service activities	381,733	
Scholarship allowances	11,440,400	
Book allowances	1,422,665	
Capital fees	(1,493,820)	
Noncurrent fund revenues	<u>(456,978)</u>	11,294,000
Net nonoperating revenues		24,707,667
Interest paid on capital related debt	387,754	
Interest earned on debt service funds	<u>(75,497)</u>	312,257
Current fund revenues		<u>\$ 87,827,783</u>

- CONTINUED -

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF CURRENT FUNDS REVENUES BY SOURCE
Last 10 fiscal years
- CONTINUED -

Current Fund Revenues	For the Years Ended June 30,				
	2000	1999	1998	1997	1996
Student Revenues	\$ 14,336,688	\$ 13,353,230	\$ 12,005,474	\$ 11,808,954	\$ 10,097,019
State Appropriations	25,183,038	21,359,956	20,419,062	18,944,560	17,574,596
Local Appropriations	5,930,834	5,791,453	4,715,775	4,469,686	4,411,407
Restricted Grants and Contracts	8,795,531	8,547,438	7,733,674	7,498,325	7,717,572
State Grants and Contracts	952,277	422,828	1,764,888	1,319,091	139,622
Other Grants and Contracts	213,198	1,245,464	1,378,127	293,995	176,262
Sales and Service of Educational Depts.	62,427	73,431	61,863	61,236	50,727
Auxiliary Enterprises	4,913,876	4,907,741	4,414,280	4,354,668	4,064,923
Interest Income	648,176	462,628	340,746	292,094	351,658
Other	124,804	84,663	71,633	71,659	81,746
Total Revenues	\$ 61,160,850	\$ 56,248,832	\$ 52,905,522	\$ 49,114,268	\$ 44,665,532

Current Fund Revenues	For the Years Ended June 30,				
	(percent of total current fund revenues)				
	2000	1999	1998	1997	1996
Student Revenues	23.4%	23.7%	22.7%	24.0%	22.6%
State Appropriations	41.2%	38.0%	38.6%	38.6%	39.3%
Local Appropriations	9.7%	10.3%	8.9%	9.1%	9.9%
Restricted Grants and Contracts	14.4%	15.2%	14.6%	15.3%	17.3%
State Grants and Contracts	1.6%	0.8%	3.3%	2.7%	0.3%
Other Grants and Contracts	0.3%	2.2%	2.6%	0.6%	0.4%
Sales and Service of Educational Depts.	0.1%	0.1%	0.1%	0.1%	0.1%
Auxiliary Enterprises	8.0%	8.7%	8.3%	8.9%	9.1%
Interest Income	1.1%	0.8%	0.6%	0.6%	0.8%
Other	0.2%	0.2%	0.3%	0.1%	0.2%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Source : Annual Financial Statements and Integrated Postsecondary Education Data System (IPEDS) Finance Survey for years presented.

Note: Current Funds include the General Fund, Auxiliary Enterprises, and the Restricted Fund

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF CURRENT FUNDS EXPENDITURES
AND TRANSFERS BY FUNCTION
Last 10 fiscal years

	For the Years Ended June 30,				
Current Fund Expenditures*	2005	2004	2003	2002	2001
Instructional	\$ 24,337,207	\$ 23,560,814	\$ 22,565,225	\$ 22,736,428	\$ 24,801,832
Academic Support	11,191,878	7,841,368	9,039,590	7,549,447	5,531,244
Student Support	8,254,526	8,575,499	7,744,794	7,638,915	6,100,409
Institutional Support	7,079,722	7,020,748	7,573,401	7,077,831	6,472,596
Plant Operations and Maintenance	5,085,825	4,915,679	4,400,247	4,442,731	4,598,487
Scholarships and Fellowships	21,129,988	19,406,507	16,977,637	10,469,776	7,687,172
Auxiliary Enterprises	6,556,061	5,943,317	5,489,341	4,854,657	4,760,756
Total Current Fund Expenditures	83,635,207	77,263,932	73,790,235	64,769,785	59,952,496
Transfers					
Current Fund Mandatory Transfer	67,554	67,554	67,554	138,015	70,461
Current Fund Nonmandatory Transfer	3,822,341	5,140,713	4,024,074	3,851,411	3,532,705
Total Current Fund Transfers	3,889,895	5,208,267	4,091,628	3,989,426	3,603,166
Total Current Fund Expenditures and Transfers	\$ 87,525,102	\$ 82,472,199	\$ 77,881,863	\$ 68,759,211	\$ 63,555,662

	For the Years Ended June 30,				
	(percent of total current fund expenditures)				
Current Fund Expenditures	2005	2004	2003	2002	2001
Instructional	27.8%	28.6%	29.0%	33.1%	39.0%
Academic Support	12.8%	9.5%	11.6%	11.0%	8.7%
Student Support	9.4%	10.4%	9.9%	11.1%	9.6%
Institutional Support	8.1%	8.5%	9.7%	10.3%	10.2%
Plant Operations and Maintenance	5.8%	6.0%	5.6%	6.5%	7.2%
Scholarships and Fellowships	24.1%	23.5%	21.8%	15.2%	12.1%
Auxiliary Enterprises	7.5%	7.2%	7.1%	7.0%	7.5%
Total Current Fund Expenditures	95.6%	93.7%	94.7%	94.2%	94.3%
Transfers					
Current Fund Mandatory Transfer	0.1%	0.1%	0.1%	0.2%	0.1%
Current Fund Nonmandatory Transfer	4.4%	6.2%	5.2%	5.6%	5.6%
Total Current Fund Transfers	4.4%	6.3%	5.3%	5.8%	5.7%
Total Current Fund Expenditures and Transfers	100.0%	100.0%	100.0%	100.0%	100.0%

*Reconciliation to Statement of Revenues, Expenses and Changes in Net Assets

Operating expenses		\$ 76,373,133
Internal service activities	381,733	
Scholarship allowances	11,440,401	
Book allowances	1,422,665	
Capital expenses	(1,208,419)	
Depreciation expense	(3,585,235)	
Principal payments on debt	(380,000)	
Noncurrent Fund Expenses	3,080,824	11,151,969
		<u>\$ 87,525,102</u>

- CONTINUED -

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF CURRENT FUNDS EXPENDITURES
AND TRANSFERS BY FUNCTION
Last 10 fiscal years
- CONTINUED -

	For the Years Ended June 30,				
Current Fund Expenditures	2000	1999	1998	1997	1996
Instructional	\$ 22,653,039	\$ 21,700,642	\$ 20,073,964	\$ 18,502,271	\$ 17,202,315
Academic Support	5,786,956	4,476,759	5,753,885	4,561,184	3,073,135
Student Support	6,122,680	5,327,299	5,277,882	5,234,078	3,945,662
Institutional Support	6,243,256	5,379,320	5,021,010	4,755,498	6,100,829
Plant Operations and Maintenance	4,074,358	4,090,881	3,480,349	3,270,535	2,893,232
Scholarships and Fellowships	11,878,465	11,388,072	10,108,686	10,072,584	5,745,482
Auxiliary Enterprises	4,262,873	4,217,162	3,724,201	3,652,376	3,248,988
Total Current Fund Expenditures	61,021,627	56,580,135	53,439,977	50,048,526	42,209,643
Transfers					
Current Fund Mandatory Transfer	109,801	109,801	39,340	88,315	28,902
Current Fund Nonmandatory Transfer	5,032,469	4,029,480	3,273,597	2,530,326	2,190,961
Total Current Fund Transfers	5,142,270	4,139,281	3,312,937	2,618,641	2,219,863
Total Current Fund Expenditures and Transfers	\$ 66,163,897	\$ 60,719,416	\$ 56,752,914	\$ 52,667,167	\$ 44,429,506

	For the Years Ended June 30, (percent of total current fund expenditures)				
Current Fund Expenditures	2000	1999	1998	1997	1996
Instructional	34.2%	35.7%	35.4%	35.1%	38.7%
Academic Support	8.7%	7.4%	10.1%	8.7%	6.9%
Student Support	9.3%	8.8%	9.3%	9.9%	8.9%
Institutional Support	9.4%	8.9%	8.8%	9.0%	13.7%
Plant Operations and Maintenance	6.2%	6.7%	6.1%	6.2%	6.5%
Scholarships and Fellowships	18.0%	18.8%	17.8%	19.1%	12.9%
Auxiliary Enterprises	6.4%	6.9%	6.6%	7.0%	7.4%
Total Current Fund Expenditures	92.2%	93.2%	94.2%	95.0%	95.0%
Transfers					
Current Fund Mandatory Transfer	0.2%	0.2%	0.1%	0.2%	0.1%
Current Fund Nonmandatory Transfer	7.6%	6.6%	5.8%	4.8%	4.9%
Total Current Fund Transfers	7.8%	6.8%	5.8%	5.0%	5.0%
Total Current Fund Expenditures and Transfers	100.0%	100.0%	100.0%	100.0%	100.0%

Source : Annual Financial Statements and Integrated Postsecondary Education Data System (IPEDS) Finance Survey for years presented.

Note: Current Funds include the General Fund, Auxiliary Enterprises, and the Restricted Fund

MIDLANDS TECHNICAL COLLEGE
COMPARISON OF CURRENT UNRESTRICTED REVENUES AND EXPENDITURES
PER FULL-TIME EQUIVALENT STUDENT
Last 10 fiscal years

	For the Years Ended June 30,				
	2005	2004	2003	2002	2001
Current Unrestricted Revenues:					
Student Revenue	\$ 32,017,848	\$ 31,023,001	\$ 25,214,844	\$ 19,662,268	\$ 15,650,718
State Appropriations	17,613,808	17,673,711	20,349,559	23,279,204	24,465,231
Local Appropriations	5,195,254	5,038,676	5,484,775	6,418,590	6,243,881
Sales and Service of Educational Depts.	66,857	55,172	61,154	66,350	74,735
State and Other Grants and Contracts	-	-	-	-	52,892
Interest Income	589,383	151,486	229,387	333,759	762,877
Other	262,207	658,765	699,095	831,057	160,081
Auxiliary Enterprises	7,557,367	6,885,841	6,280,829	5,575,555	5,363,654
Total Revenues	\$ 63,302,724	\$ 61,486,652	\$ 58,319,643	\$ 56,166,783	\$ 52,774,069

	For the Years Ended June 30,				
	2005	2004	2003	2002	2001
Current Unrestricted Expenditures:					
Instructional	\$ 22,610,029	\$ 23,109,761	\$ 22,266,416	\$ 21,915,754	\$ 23,476,383
Academic Support/Scholarships & Fellowships	11,814,308	8,595,998	8,848,589	7,578,281	5,436,774
Student Support	6,478,793	6,707,242	6,062,456	5,799,299	4,901,888
Institutional Support	10,455,027	11,989,084	10,979,531	11,093,432	5,798,298
Plant Operations and Maintenance	5,085,825	4,915,678	4,400,247	4,033,402	4,598,487
Auxiliary Enterprises	6,556,061	5,943,318	5,489,341	4,854,657	4,760,756
Total Current Fund Expenditures	\$ 63,000,043	\$ 61,261,081	\$ 58,046,580	\$ 55,274,825	\$ 48,972,586

	For the Years Ended June 30,				
	2005	2004	2003	2002	2001
Annual Full-time Equivalent Enrollments:					
Credit	8,197	7,786	6,957	6,388	6,118
Continuing Education	658	679	712	744	772
Total Enrollment	8,855	8,465	7,669	7,132	6,890

	For the Years Ended June 30,				
	2005	2004	2003	2002	2001
Revenue per Full-time Equiv. Student:	\$ 7,149	\$ 7,264	\$ 7,605	\$ 7,875	\$ 7,659
Expenditures per Full-time Equiv. Student:	\$ 7,115	\$ 7,237	\$ 7,569	\$ 7,750	\$ 7,108

- CONTINUED -

MIDLANDS TECHNICAL COLLEGE
COMPARISON OF CURRENT UNRESTRICTED REVENUES AND EXPENDITURES
PER FULL-TIME EQUIVALENT STUDENT
Last 10 fiscal years
- CONTINUED -

	For the Years Ended June 30,				
	2000	1999	1998	1997	1996
Current Unrestricted Revenues:					
Student Revenue	\$ 14,336,688	\$ 13,353,230	\$ 12,005,474	\$ 11,808,954	\$ 10,097,019
State Appropriations	23,372,158	21,359,956	20,419,062	18,944,560	17,574,596
Local Appropriations	5,930,834	5,791,453	4,715,775	4,469,686	4,411,407
Sales and Service of Educational Depts.	62,427	73,431	61,863	61,236	50,727
State and Other Grants and Contracts	56,044	61,018	65,005	-	-
Interest Income	648,177	462,628	340,746	292,094	351,658
Other	64,675	84,663	71,633	71,659	81,746
Auxiliary Enterprises	4,913,876	4,907,741	4,414,280	4,354,668	4,064,923
Total Revenues	\$ 49,384,879	\$ 46,094,120	\$ 42,093,838	\$ 40,002,857	\$ 36,632,076

	For the Years Ended June 30,				
	2000	1999	1998	1997	1996
Current Unrestricted Expenditures:					
Instructional	\$ 21,243,359	\$ 20,171,131	\$ 18,728,799	\$ 17,969,485	\$ 16,853,155
Academic Support/Scholarships & Fellowships	4,657,794	4,379,684	4,577,412	4,151,646	3,116,820
Student Support	4,481,727	4,085,840	3,940,387	3,358,768	2,677,151
Institutional Support	5,262,142	4,815,477	4,275,051	4,747,163	4,999,570
Plant Operations and Maintenance	4,074,358	4,090,881	3,480,349	3,270,535	3,336,866
Auxiliary Enterprises	4,262,873	4,217,162	3,724,201	3,652,376	3,248,988
Total Current Fund Expenditures	\$ 43,982,253	\$ 41,760,175	\$ 38,726,199	\$ 37,149,973	\$ 34,232,550

	For the Years Ended June 30,				
	2000	1999	1998	1997	1996
Annual Full-time Equivalent Enrollments:					
Credit	6,844	6,953	6,652	6,898	7,012
Continuing Education	837	826	815	760	792
Total Enrollment	7,681	7,779	7,467	7,658	7,804

	For the Years Ended June 30,				
	2000	1999	1998	1997	1996
Revenue per Full-time Equiv. Student:	\$ 6,429	\$ 5,925	\$ 5,637	\$ 5,224	\$ 4,694
Expenditures per Full-time Equiv. Student:	\$ 5,726	\$ 5,368	\$ 5,186	\$ 4,851	\$ 4,386

Sources: Annual Financial Statements, Integrated Postsecondary Education Data System (IPEDS) Finance Survey and Formula Computation Allocation Worksheet provided by System office for years presented.

Note: Current Unrestricted Funds include the General Fund and Auxiliary Enterprises

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF TOTAL DEBT SERVICE AS A PERCENTAGE
OF CURRENT UNRESTRICTED REVENUES
Last 10 fiscal years

Fiscal Year Ending June 30,	Current Unrestricted Revenues	Debt Service	Percent
2005	\$ 63,302,724	\$ 832,947	1.31%
2004	\$ 61,486,652	\$ 825,257	1.24%
2003	\$ 58,319,643	\$ 288,144	0.47%
2002	\$ 56,166,783	\$ 880,911	1.57%
2001	\$ 52,774,069	\$ 1,057,280	2.00%
2000	\$ 49,384,879	\$ 991,736	2.01%
1999	\$ 46,094,120	\$ 599,776	1.30%
1998	\$ 42,093,838	\$ 531,194	1.26%
1997	\$ 40,002,857	\$ 583,000	1.46%
1996	\$ 36,632,076	\$ 1,094,504	2.99%

Source: Annual Financial Statements for years presented.

MIDLANDS TECHNICAL COLLEGE
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO
CURRENT FUND EXPENDITURES
Last 10 fiscal years
And Debt Margin Calculation

Fiscal Year	General Bonded Debt			Total Current Funds Expenditures	Percentage
	Principal	Interest	Total		
2004-05	\$ 380,000	\$ 385,393	\$ 765,393	\$ 83,635,207	0.92%
2003-04	\$ 355,000	\$ 402,703	\$ 757,703	\$ 77,427,449	0.98%
2002-03	\$ 215,000	\$ 5,590	\$ 220,590	\$ 77,263,932	0.29%
2001-02	\$ 375,000	\$ 440,211	\$ 815,211	\$ 64,769,785	1.26%
2000-01	\$ 360,000	\$ 460,688	\$ 820,688	\$ 59,952,496	1.37%
1999-00	\$ 330,000	\$ 479,737	\$ 809,737	\$ 61,021,627	1.33%
1998-99	\$ 300,000	\$ 498,063	\$ 798,063	\$ 56,580,135	1.41%
1997-98	\$ 165,000	\$ 254,088	\$ 419,088	\$ 53,439,977	0.78%
1996-97	\$ 155,000	\$ 264,888	\$ 419,888	\$ 50,048,526	0.84%
1995-96	\$ 145,000	\$ 275,038	\$ 420,038	\$ 42,209,643	1.00%

Source: Annual Financial Statements for years presented.

Debt Margin Calculation:

In compliance with Section 13 of Article X of the *South Carolina Constitution* ,
State Institution Bonds for Midlands Technical College have the following margin:

Amount of tuition bond fees collected during fiscal year ended 6/30/05	\$ 1,493,820
90 percent of above	1,344,438
2006 Annual Debt Service for State Institution Bonds	765,393
Margin	\$ 579,045

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OTHER STATISTICS



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MIDLANDS TECHNICAL COLLEGE

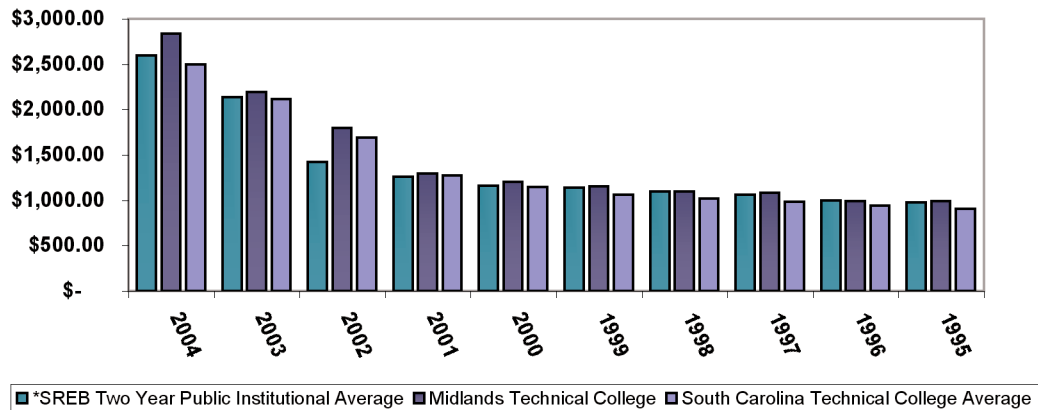
STUDENT TUITION AND FEES NATIONAL AND STATE-WIDE COMPARISON Last 10 Fiscal Years

Fiscal Year	Midlands Technical College		SREB* Two Year Public Institutions Average		South Carolina Technical College Average	
	Annual Cost	Percent Change	Annual Cost	Percent Change	Annual Cost	Percent Change
2004	\$ 2,836	29.0%	\$ 2,600	22.0%	\$ 2,499	18.0%
2003	\$ 2,192	22.0%	\$ 2,136	50.0%	\$ 2,113	25.0%
2002	\$ 1,800	38.9%	\$ 1,420	12.7%	\$ 1,692	33.0%
2001	\$ 1,296	8.0%	\$ 1,260	8.7%	\$ 1,271	11.0%
2000	\$ 1,200	4.2%	\$ 1,159	1.7%	\$ 1,145	7.7%
1999	\$ 1,152	4.7%	\$ 1,140	3.6%	\$ 1,063	4.4%
1998	\$ 1,100	1.9%	\$ 1,100	3.8%	\$ 1,018	3.7%
1997	\$ 1,080	9.1%	\$ 1,060	6.0%	\$ 982	4.2%
1996	\$ 990	0.0%	\$ 1,000	2.5%	\$ 942	4.3%
1995	\$ 990	0.0%	\$ 976	15.1%	\$ 903	4.6%

NOTE: Annual cost is based on full-time enrollment for two semesters.

*SREB – Southern Regional Education Board

STUDENT TUITION AND FEES NATIONAL AND STATE-WIDE COMPARISON Last 10 Fiscal Years



MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT

Last 10 Fall Terms

Headcount

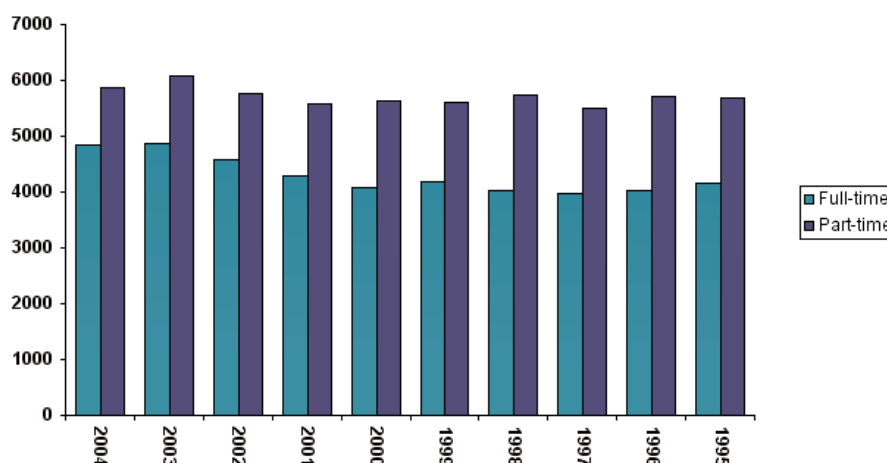
	<u>2004</u>		<u>2003</u>		<u>2002</u>		<u>2001</u>		<u>2000</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Full-time	4,834	45%	4,859	44%	4,591	44%	4,283	43%	4,066	42%
Part-time	<u>5,876</u>	<u>55%</u>	<u>6,066</u>	<u>56%</u>	<u>5,756</u>	<u>56%</u>	<u>5,591</u>	<u>57%</u>	<u>5,636</u>	<u>58%</u>
Total	<u>10,710</u>	<u>100%</u>	<u>10,925</u>	<u>100%</u>	<u>10,347</u>	<u>100%</u>	<u>9,874</u>	<u>100%</u>	<u>9,702</u>	<u>100%</u>
	<u>1999</u>		<u>1998</u>		<u>1997</u>		<u>1996</u>		<u>1995</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Full-time	4,196	43%	4,028	41%	3,962	42%	4,029	41%	4,145	42%
Part-time	<u>5,614</u>	<u>57%</u>	<u>5,750</u>	<u>59%</u>	<u>5,506</u>	<u>58%</u>	<u>5,699</u>	<u>59%</u>	<u>5,689</u>	<u>58%</u>
Total	<u>9,810</u>	<u>100%</u>	<u>9,778</u>	<u>100%</u>	<u>9,468</u>	<u>100%</u>	<u>9,728</u>	<u>100%</u>	<u>9,834</u>	<u>100%</u>
*FTE	<u>2004</u>		<u>2003</u>		<u>2002</u>		<u>2001</u>		<u>2000</u>	
	<u>7,786</u>		<u>6,957</u>		<u>6,388</u>		<u>6,118</u>		<u>6,844</u>	
*FTE	<u>1999</u>		<u>1998</u>		<u>1997</u>		<u>1996</u>		<u>1995</u>	
	<u>6,953</u>		<u>6,652</u>		<u>6,898</u>		<u>7,012</u>		<u>6,008</u>	

*Note: FTE (Full-time Equivalency) - Technical education program enrollment as expressed in full-time equivalency. The total number of credit hours is divided by 15 and calculated to the hundredth.

MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT, LAST TEN FALL TERMS

Head Count



Source: IPEDS Enrollment Reports for Midlands Technical College

MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT DEMOGRAPHICS

Last 10 Fall Terms

Historic Gender Demographics

	<u>2004</u>		<u>2003</u>		<u>2002</u>		<u>2001</u>		<u>2000</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Male	3,995	37%	4,142	38%	4,090	40%	3,997	40%	4,037	42%
Female	<u>6,715</u>	<u>63%</u>	<u>6,783</u>	<u>62%</u>	<u>6,257</u>	<u>60%</u>	<u>5,877</u>	<u>60%</u>	<u>5,665</u>	<u>58%</u>
Total	<u>10,710</u>	<u>100%</u>	<u>10,925</u>	<u>100%</u>	<u>10,347</u>	<u>100%</u>	<u>9,874</u>	<u>100%</u>	<u>9,702</u>	<u>100%</u>
	<u>1999</u>		<u>1998</u>		<u>1997</u>		<u>1996</u>		<u>1995</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Male	4,038	41%	4,063	42%	3,738	39%	3,848	40%	3,941	40%
Female	<u>5,772</u>	<u>59%</u>	<u>5,715</u>	<u>58%</u>	<u>5,730</u>	<u>61%</u>	<u>5,880</u>	<u>60%</u>	<u>5,893</u>	<u>60%</u>
Total	<u>9,810</u>	<u>100%</u>	<u>9,778</u>	<u>100%</u>	<u>9,468</u>	<u>100%</u>	<u>9,728</u>	<u>100%</u>	<u>9,834</u>	<u>100%</u>

Historic Ethnic Demographics

	<u>2004</u>		<u>2003</u>		<u>2002</u>		<u>2001</u>		<u>2000</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Black	3,867	36%	3,879	36%	3,556	34%	3,168	32%	3,107	32%
White	5,887	55%	6,051	55%	5,583	54%	5,297	54%	5,429	56%
Other	<u>956</u>	<u>9%</u>	<u>995</u>	<u>9%</u>	<u>1,208</u>	<u>12%</u>	<u>1,409</u>	<u>14%</u>	<u>1,166</u>	<u>12%</u>
Total	<u>10,710</u>	<u>100%</u>	<u>10,925</u>	<u>100%</u>	<u>10,347</u>	<u>100%</u>	<u>9,874</u>	<u>100%</u>	<u>9,702</u>	<u>100%</u>
	<u>1999</u>		<u>1998</u>		<u>1997</u>		<u>1996</u>		<u>1995</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Black	3,205	33%	3,034	31%	2,986	32%	3,073	32%	3,119	32%
White	5,772	59%	5,897	60%	5,614	59%	6,083	62%	6,250	63%
Other	<u>833</u>	<u>8%</u>	<u>847</u>	<u>9%</u>	<u>868</u>	<u>9%</u>	<u>572</u>	<u>6%</u>	<u>465</u>	<u>5%</u>
Total	<u>9,810</u>	<u>100%</u>	<u>9,778</u>	<u>100%</u>	<u>9,468</u>	<u>100%</u>	<u>9,728</u>	<u>100%</u>	<u>9,834</u>	<u>100%</u>

Source: IPEDS Enrollment Reports for Midlands Technical College

MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT PERCENTAGES BY COUNTY

Last 10 Fall Terms

Historic County of Residence

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Richland	47%	47%	47%	46%	49%	50%	50%	51%	52%	55%
Lexington	35%	35%	35%	34%	33%	33%	34%	34%	34%	34%
Fairfield	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%
Other	16%	16%	16%	18%	16%	15%	14%	13%	12%	10%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Historic Campus of Attendance*

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Airport	52%	50%	50%	48%	48%	48%	48%	50%	49%	49%
Beltline	40%	42%	43%	47%	48%	48%	47%	47%	48%	48%
Other	8%	8%	7%	5%	4%	4%	5%	3%	3%	3%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Historic Average Age

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Average Age	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>28</u>

* NOTE: Does not include Harbison Campus, which offers continuing education courses only.

Source: Midlands Technical College Student Information System database

MIDLANDS TECHNICAL COLLEGE

ECONOMIC INDICATORS FOR THE COLLEGE SERVICE AREA

Per Capita Personal Income*

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Fairfield	\$ 21,645	\$ 21,078	\$ 21,878	\$ 21,424	\$ 20,458
Lexington	\$ 30,048	\$ 28,981	\$ 27,645	\$ 27,053	\$ 25,933
Richland	\$ 28,966	\$ 28,318	\$ 29,211	\$ 28,206	\$ 26,911
South Carolina	\$ 26,144	\$ 25,502	\$ 24,840	\$ 24,000	\$ 22,906

* Most recent available data

Preliminary Estimates of the Population of Counties in Midlands Technical College Service Area

	<u>2030</u>	<u>2025</u>	<u>2020</u>	<u>2015</u>	<u>2010</u>	<u>2005**</u>
Fairfield	27,900	27,170	26,520	25,770	25,010	24,260
Lexington	330,320	311,520	291,600	272,090	252,580	233,060
Richland	<u>407,510</u>	<u>392,830</u>	<u>373,370</u>	<u>359,520</u>	<u>345,660</u>	<u>331,810</u>
	<u>765,730</u>	<u>731,520</u>	<u>691,490</u>	<u>657,380</u>	<u>623,250</u>	<u>589,130</u>
South Carolina	<u>5,371,150</u>	<u>5,145,850</u>	<u>4,901,810</u>	<u>4,674,050</u>	<u>4,446,240</u>	<u>4,218,460</u>

** Projected Population Estimates for July 1st of that year

Annual Average Civilian Labor Force, Employment and Unemployment in South Carolina by County in the Midlands Technical College Service Area (as of 2000)*

	<u>Total in Civilian Labor Force</u>	<u>Total Employed</u>	<u>Total Unemployed</u>	<u>Percent Unemployed</u>
Fairfield	10,300	9,000	1,300	12.6%
Lexington	117,060	113,800	3,260	2.8%
Richland	155,340	149,970	5,370	3.5%
South Carolina	1,949,200	1,843,400	105,800	5.4%

* Most recent available data

Sources: South Carolina Employment Security Commission, Labor Market Information Division
 2004 South Carolina Statistical Abstract, published by the South Carolina State Budget and Control Board
 US Department of Commerce, Bureau of Economic Analysis

MIDLANDS TECHNICAL COLLEGE

Degree Statistics

Associate Degree, Diploma and Certificate Programs:

Arts and Sciences
 Business and Information Systems Technology
 Industrial and Engineering Technologies and Engineering Transfer
 Nursing and Health Sciences
 Career Development

Degrees Awarded:	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
Associate Degree	828	827	831	796	841
Diploma	93	110	115	101	166
Certificate	<u>799</u>	<u>675</u>	<u>594</u>	<u>594</u>	<u>456</u>
Total Awarded	<u>1,720</u>	<u>1,612</u>	<u>1,540</u>	<u>1,491</u>	<u>1,463</u>

Continuing Education Offices:

Center for Work Force Development
 Center for Information Management
 Center for Business and Professional Development
 Center for Career and Personal Development
 Center for Operations and Special Programs

Continuing Education/Community Service/Federal Programs Contact Hours for the Last Five Years:

	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	
Continuing Education	<u>371,287</u>	<u>397,920</u>	<u>399,490</u>	<u>402,700</u>	<u>401,060</u>

* Tech Dept. of Field Audit & Finance

Sources: IPEDS Completion Reports; State Board for Technical and Comprehensive Education.

OTHER INFORMATION



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College Accreditation as of June 30, 2005

Midlands Technical College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (1866 Southern Lane, Decatur, Georgia 30033-4097; telephone number 404-679-4501) to award associate degrees, diplomas and certificates.

Program Approval and Accreditations

The Legal Assistant/Paralegal and Court Reporting programs are approved respectively by:

- American Bar Association
- National Court Reporters Association

Specific programs are accredited by:

- American Society of Health-System Pharmacists
- Association of Collegiate Business Schools and Programs
- Commission on Dental Accreditation of the American Dental Association
- Commission on Accreditation in Physical Therapy Education
- Council on Accreditation of Allied Health Education Programs
 - Council on Education of the American Health Information Management Association
 - Committee on Accreditation for Respiratory Care
 - Accreditation Review Committee on Education in Surgical Technology
 - American Association of Medical Assistants
- National Council for Standards in Human Services Education
- Joint Review Committee on Educational Programs in Nuclear Medicine Technology
- Joint Review Committee on Education in Radiologic Technology
- National Accrediting Agency for Clinical Laboratory Sciences
- National Automotive Technicians Education Foundation
- National League for Nursing Accrediting Commission
- Printing Industries of America
- South Carolina Board of Nursing
- Technology Accreditation Commission of the Accreditation Board for Engineering and Technology; Architectural, Civil and Electronics Engineering Technology

Statement of Nondiscrimination

Midlands Technical College does not discriminate in admissions or employment on the basis of race, sex, national origin or ethnic group, color, age, religion, disability or military service in its administration of educational policies, programs and services; its admissions policies; scholarship and loan programs; or employment. In compliance with Title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1992, Midlands Technical College offers access and equal opportunity in its admissions policies, academic programs and services, and employment of disabled individuals in that no otherwise qualified person will be denied these provisions on the basis of a disability. Dr. Ronald Rhames has been designated to coordinate compliance with the nondiscrimination requirements contained in section 35.107 of the Department of Justice regulations, section 504 and Title IX regulation. Information concerning the provisions of the Americans with Disabilities Act and the rights and privileges thereunder are available from Dr. Rhames in his position as ADA/EEOC coordinator. He can be reached at: Midlands Technical College, P.O. Box 2408, Columbia, SC 29202, (803) 822-3261.

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